

# ASBURY PARK PRESS

June 5, 1999

## Social worker sentenced for fraud 1st conviction under new health care claims law

TRENTON - A social worker from Howell has been sentenced to three years in state prison for health care claims fraud, Attorney General John J. Farmer Jr. announced yesterday.

She is the first person prosecuted and sentenced under the state's new health care claims fraud law.

Farmer said the sentence was imposed on Karen A. Lawder, 35, by Superior Court Judge Patricia Del Bueno Cleary in Freehold after she pleaded guilty to one second-degree count of health care claims fraud and one fourth-degree count of forgery.

Lawder, who has a private practice in Brielle, also was fined \$5,000. She had paid \$6,440 in restitution to Blue Cross/Blue Shield at the point of her plea last Dec. 23.

In addition, Edward M. Neafsey, assistant attorney general and insurance fraud prosecutor, said he was forwarding a record of Lawder's criminal conviction to the New Jersey Board of Social Work Examiners and asking the board to revoke her license to practice social work.

Lawder, a licensed clinical social worker, also formerly served as a counselor with the Long Branch Board of Education. She automatically lost that position as a result of her plea.

She subsequently made a motion, through her lawyer, to retract her guilty plea, but Judge Cleary denied that motion yesterday before pronouncing sentence.

"Health care fraud at any level contributes to the price New Jerseyans pay for health insurance," Farmer said. "Through the application of the Health Care Claims Fraud law, we are committed to deterring patients and professionals alike from cheating insurance companies and driving up the costs of health insurance."

As part of her plea bargain, the second-degree charge was lowered to a third-degree charge for purposes of sentencing. That reduced her prison exposure from five to 10 years to three to five years.

She could become eligible for parole in nine to 10 months, Neafsey said.

Lawder pleaded guilty to sending at least five phony bills totaling \$4,320 to the State Health Benefits Plan, seeking reimbursement as a patient. She admitted she had not received the services she claimed on - the bills dated - January through April 1998. She also pleaded guilty to forging a letter to Blue Cross/Blue Shield, the company that administers the plan from a clinical social worker in an attempt to gain payment for a claim.

Under the Health Care Claims Fraud Act, she would have automatically forfeited her social work license had she committed the crime as a licensed provider rather than as a patient.

"The Office of Insurance Fraud Prosecutor has placed a premium on criminal prosecution," Neafsey said.

The Health Care Claims Fraud Act was signed on Jan. 15, 1998.

## State vs Karen Lawder

## STAR LEDGER

June 5, 1999

# Health-care fraud law yields 3 convictions

By Joe Donohue  
STAR-LEDGER STAFF

The Attorney General's Office announced yesterday the first convictions under the state's new health insurance fraud act.

Karen Lawder, 35, of Howell Township, a licensed -clinical social worker, received a three-year prison sentence-from Monmouth County Superior Court Judge Patricia Del Bueno Cleary, according to Attorney General John Farmer Jr.

Lawder pleaded guilty to one second-degree count of health .care claims fraud and one fourth-degree count of forgery. Under the terms of the plea agreement, Lawder, who has a private practice in Brielle and was formerly a counselor with the Long Branch Board of Education, also must pay a \$5,000 fine.

In a -separate case, Felix Zak, 46, of Brooklyn, N.Y. and Leonid Giller, 52, of Edison, received-three years probation from Union County Superior Court Judge John Triarsi with a condition that they serve 90 days in the Union County jail.

Each defendant pleaded guilty to one third-degree count of Medicaid fraud after prosecutors found evidence that they overcharged for patient transportation. Medicaid is a joint state-federal health insurance program for the poor.

The two defendants, who own F & L Medical Transportation Co. of Union, must each pay \$78,584 in restitution along with civil and administrative penalties and a \$1,000 fine.

According to Edward Neafsey, assistant attorney general and insurance fraud prosecutor, Lawder pleaded guilty to asking her health insurer to reimburse her for fictitious medical bills totaling \$4,320. .

The false claims were submitted to the State Health Benefits Plan, which is administered by the Blue Cross/Blue Shield of New Jersey. Lawder has made restitution to the health insurance program.

Farmer said Lawder. is the first person convicted and sentenced under a state law enacted in January 1998 that -made it easier to crack down on health care fraud.

**State vs Karen Lawder**

## STAR LEDGER

June 8, 1999

# Ambulance owners sent to jail

The owners of a medical transportation company In Union Town ship have each been sentenced to 90 days in prison, three years' probation and \$79,584 in fines for involvement in a Medicaid fraud scheme, state authorities said.

Leonid Giller, 52, of Edison and Felix Zak 46, of Brooklyn, N.Y., Owners of F&L Medical Transportation Co. on Ridgeway Avenue were also barred from participating in the state Medicaid program or any other federal- or state-funded health insurance programs for a minimum of five years, authorities said.

Giller and Zak pleaded guilty late last year to submitting fraudulent bills to Medicaid for transportation services, said Edward M. Neafsey, an assistant attorney general and insurance fraud prosecutor.

F&L, which transported most of its patients to specific regions of Union and Middlesex counties, was routinely inflating mileage charges on claims submitted to Medicaid, Neafsey said.

State authorities used surveillance and other investigative techniques to build a case against the business owners, he said.

**State v. Leonid Giller & Felix Zak**

## STAR LEDGER

October 1, 1999

# Newark woman convicted for role in insurance fraud

By Matthew Futterman  
STAR-LEDGER STAFF

A former security guard for the Newark Board of Education was convicted yesterday for her role in a massive insurance fraud scheme master-minded by a Ridgewood psychiatrist.

Vivian Decree, 52, of Newark was the first participant in Dr. Carl Lichtman's infamous insurance fraud scheme to go to trial.

During the last four years, 151 people, many of them public school employees from Essex and Passaic counties, have pleaded guilty to filing false claims totaling \$3.5 million with Blue Cross/Blue Shield and turning over a portion of their benefits to Lichtman.

After a three-day trial before state Superior Court Judge William C. Meehan, Decree was found guilty

**"Even at this late date we are  
amenable to talking about pleas."**

--EDWARD NEAFSEY State prosecutor

of conspiracy, official misconduct **and** theft by deception.

She faces up to 10 years in prison when she is sentenced Nov. 12.

Those who pleaded guilty to their crimes received probation.

Decree was handcuffed and taken into custody immediately following the jury's verdict.

"That's certainly a sobering experience for someone to go through after turning down a plea offer that would have resulted in probation," said Edward Neafsey, the state's insurance fraud prosecutor.

Since Decree is a first-time offender, Neafsey said he expected her to be sentenced to three to five years.

But he also said he hoped her conviction would send a clear message to the 26 people who are still awaiting trial in the case.

The next trial in the Lichtman saga is scheduled for Oct. 18.

"Even at this late date we are amenable to talking about pleas," Neafsey said.

Lichtman was convicted of fraud and served 16 months in state prison. He is currently on parole.

**State vs. Carl Lichtman, et al  
Vivian Decree**

# STAR-LEDGER

December 12, 1999

## **Ex-school guard receives 5 years**

A former security guard for the Newark Board of Education has been sentenced to state prison for her role in a multimillion-dollar insurance fraud scheme masterminded by a Ridgewood psychiatrist.

Vivian Decree, 52, of 291 Hopson St. in Newark, received a five-year sentence in Bergen County Superior Court on Friday. Judge William C. Meehan also fined her \$3,000 and ordered her to pay \$1,900 in restitution.

Decree was convicted in September of conspiracy, official misconduct and theft by deception.. She could have received a 10-year sentence, according to the state Department of Law and Public Safety.

Over the last four years, 151 people - mostly public school employees in Essex and Passaic counties - have pleaded guilty to filing phony claims with state insurance plans and turning over a portion of their benefits to Dr. Carl H. Lichtman. Decree was the first defendant to go to trial.

Lichtman's scheme bilked insurance plans out of more than \$3.5 million, according to state authorities. Most of the money was paid by the Prudential Insurance Co. of America on behalf of the New Jersey State Health Benefits Plan, according to the Department of Law and Public Safety.

Lichtman was convicted of fraud and served 16 months in state prison. He is currently on parole.

**State vs Carl Lichtman, et al  
Vivian Decree**

# Cook guilty of insurance fraud

*Tuesday, November 16, 1999*

By CHRISTOPHER MUMMA  
Staff Writer

A Newark man on Monday admitted participating in a \$3.5 million insurance scheme run by a former Ridgewood psychologist.

Kevin Stencer, 38, a onetime cook for the Newark Board of Education, pleaded guilty in Hackensack to charges of theft by deception and conspiracy, said Edward Neafsey, the top fraud prosecutor in the state Attorney General's Office.

Stencer faces a three-year prison term when sentenced Jan. 7, Neafsey said.

Stencer's plea, before Superior Court Judge John A. Conte, was the latest development in the long-running criminal case against Dr. Carl H. Lichtman and 178 co-defendants. The case has been called the biggest episode of health-care fraud in New Jersey history.

Authorities say that between 1986 and 1995, Lichtman and his co-defendants -- many of them school district employees in Passaic and Essex counties -- cheated 36 insurance companies, the state's health-benefits program, and other health plans out of \$3.5 million.

In some instances, Lichtman sent two bills for the same treatment. He also admitted sending 600 claims for treatment never administered.

Lichtman divided the money with co-defendants who posed as patients. In 1997, he was sentenced to 5 1/2 years in prison for running the scheme but has since been released.

For almost two years, state authorities have been making plea deals with the remaining people accused of participating in the scam. To date, more than 150 have entered pleas, mostly to charges of theft by deception.

With the exception of Stencer, all of those who took the plea bargains have been sentenced to probation.

Stencer, though, took a more active role in the scheme, Neafsey said: He brought other people into the scam and took kickbacks for those referrals.

Twenty-six people refused the plea offer. One woman, 52-year-old Vivian Decree of Newark, was convicted in October of conspiracy and theft by deception. Trials are scheduled for the remaining defendants during the next three months, Neafsey said.

# THE TIMES

December 22, 1999

## Optician pleads to health care fraud

TRENTON - A Trenton optician yesterday pleaded guilty to a single charge of health care claims fraud, state Attorney General John J. Farmer Jr. announced.

Between January 1998 and May 1999, Yogendra Sharma, 55, billed Medicaid for ultraviolet coatings and tint on eyeglasses that were never authorized by prescriptions, according to John Krayniak, supervising deputy attorney general.

Krayniak said Sharma failed to actually provide UV coatings or tint in more than half of the billed cases.

Sharma defrauded Medicaid of approximately \$3,000, said Insurance Fraud Prosecutor Edward Neafsey.

As part of his guilty plea yesterday, Sharma faces a year in jail, fines up to \$15,000, the loss of his professional license for up to one year and being barred from the Medicaid program.

Sharma will be sentenced at a later date, the officials said.

"Health care fraud of any magnitude contributes to the prices New Jerseyans pay for health insurance," Neafsey said.

State vs Yogendra Sharma

# ASBURY PARK PRESS

August 11, 1999

## Ex-Optometrist indicted in fraud

By SHERI TABACHNIK  
STAFF WRITER

TRENTON - John C. Amabile, a former Neptune optometrist and Olympic bobsledder, was indicted yesterday by a state grand jury and accused of defrauding 27 insurance carriers and health benefits plans of more than \$200,000.

Amabile, 37, of Spring Lake Heights, was charged with one count each of second-degree conspiracy and theft by deception and two counts each of fourth-degree falsifying records and falsification of records relating to medical care, according to the indictment.

If convicted of all charges, Amabile, who also had a Long Branch office, could serve up to 16 years in prison and be fined up to \$190,000, said Paul Loriquet, spokesman for the attorney general's office. The criminal court can impose additional restitution, said Edward Neafsey, state insurance fraud prosecutor.

Amabile's lawyer, Anthony Baiamonte III, refused to comment yesterday. He said his client planned to issue a statement today.

Amabile, a former Wall High School, U.S. Naval Academy and University of Florida track and field champion in the javelin throw, thought "milking insurance companies for as much as you can" was a game, the indictment states.

"When you have that kind of an attitude held by a health care professional, the integrity of the health care claims process is truly undermined," Neafsey said. "That's really what the significance of bringing criminal charges in this case is all about."

In September, the state Board of Optometrists found Amabile, who had been licensed to practice optometry since October 1990, had committed "massive insurance fraud." The board revoked his license and ordered him to pay \$1.7 million in fines and restitution. Those penalties are due at the conclusion of the criminal case, the board has ruled.

"Normally what you have is the licensing action being held off until after the criminal case," he said. "But in this case the allegations were so egregious there was a public need to move forward and strip him of his license. This case is unique to that extent."

According to the indictment, between January 1994 and July 1996, Amabile recruited large numbers of patients by providing eyeglasses and eye exams at little to no cost.

He ordered his staff to create about 997 false patient record and charts and to bill insurance carriers for prescribed optometric services that were never provided, Neafsey said. Amabile wanted the records falsified in case a health insurance carrier decided to conduct an audit of claims he submitted



for payment, according to the indictment.

The state found out about Amabile's tactics from Monmouth County opticians, Neafsey said.

"People who were getting free eyeglasses would be talking to other opticians in the area and advising them of that fact," Neafsey said. "Those opticians brought this to the attention of the attorney general's office."

Amabile is expected to be arraigned in Superior Court, Freehold, within two weeks, Neafsey said.

In June 1997, the Division of Criminal Justice seized 17 of Amabile's bank accounts and an \$80,000 Mercedes-Benz. The frozen assets are valued at \$2 million.

"If a court decides to impose restitution, we want to make sure there are resources for restitution," Neafsey said.

Amabile, a member of the Puerto Rican national bobsled team that competed in the XVIII Olympic Winter Games in Nagano, Japan, was the second team member found to be involved with unjustified insurance company billings.

In May 1998, Joseph C. Keosseian of Belmar, brakeman for the team, was sentenced to three years in prison for taking part in a scheme in which he and a female co-worker submitted health insurance claim forms for medical treatment he never received. From June 1995 through May 1996, Keosseian, who worked for Amabile, submitted insurance claims to CIGNA saying he received treatments from Dr. Sheldon E. Goldofsky of Tinton Falls. Keosseian never received any of the treatments, said Deputy Attorney General John Kennedy.

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State vs John Amabile

## Optometrist indicted in insurance scam

Accused of filing fraudulent claims, he faces fine and 16 years in prison

by Josh Margolin  
STAR-LEDGER STAFF

A Monmouth County optometrist was indicted yesterday on six criminal charges stemming from a scam that bilked 29 insurance companies out of hundreds of thousands of dollars.

The charges were detailed yesterday-when a grand jury in Trenton handed up a six-count indictment charging John Amabile of Spring Lake Heights with conspiracy, attempted theft by deception and falsifying records.

The 37-year-old optometrist was stripped of his license last year after state regulators found that he bilked 29 insurers out of \$500,000 in payments for bogus services.

According to state Insurance Fraud Prosecutor Edward Neafsey, the fraud, was first reported by other doctors in the area who were told about it by their patients.

Investigators quickly learned that when patients visited Amabile's offices-in Long Branch and Neptune, he would give them free exams, but also record their insurance information. Without their knowledge, he would then file fraudulent claims with their carriers, Neafsey said.

The state froze \$2 million worth of Amabile's assets in 1996 and, two years later, regulators ordered him to pay more than \$1.7 million in penalties. If convicted on the criminal charges he faces a maximum of 16 years in prison and an additional \$190,000 in fines.

Though regulators originally accused Amabile of cheating the insurance carriers out of \$500,000, the grand jury could track only \$200,000 in bogus claims. Of that sum, Neafsey said, Amabile received at least \$100,000 in payments from companies including Aetna, Allstate, Prudential and Travelers.

"He claimed they (the patients) were either being treated for eye problems they didn't suffer from or there were billings put in for treatments or services that weren't rendered," Neafsey said. "There were three or four former employees who cooperated in the state's investigation."

Amabile's lawyer, Anthony Baimonte, said his client did not have a comment last night on the indictment. However, Amabile is appealing the revocation of his optometry license, Baimonte said.

According to the charges, Amabile and his staff manufactured phony patient records to cover his trail. All told, 655 patients were made part of the scheme, according to the indictment.

Amabile first gained notoriety as a state champion and All-American in the javelin in high school and college.

Then, he re-entered the spotlight in the '90s by competing three times on Puerto Rico's bobsledding team in the Winter Olympics. Last year, his two-man bobsled team finished 38th out of 39 in Nagano, Japan.

**STATE vs JOHN AMABILE**

# Jersey Journal

September 15, 1999

## Man charged in \$85G fraud

A former Hudson County man was indicted for using three of his former medical provider businesses to defraud 12 insurance companies of more than \$85,000 in bogus billing claims, officials said.

Mario Sauseville Macias, 48, of Miami, Fla. and formerly of Hudson County, was named in a seven-count state grand jury indictment, charging him with conspiracy, theft by deception and corporate misconduct, officials said.

The investigation by the Office of Insurance Fraud alleges that over a period of about four years, The Healing Clinic Inc. and Florida Medical Supply Inc. both in Union City, and Hudson Neurological Inc. in West New York billed health insurers for medical services and equipment they never provided, officials said.

"These defendants hit the Personal Injury Protection component of automobile insurance policies hard by filing these allegedly false claims," said Insurance Fraud Prosecutor Edward M. Neafsey. "This investigation was complicated because it involved locating and interviewing many patients, former employees and other witnesses, both in and out of the state."

The investigation was kindled after numerous insurance companies brought allegations to the Office of Insurance Fraud Prosecutor, said Deputy Attorney General Cheryl Maccaroni.

If convicted on all counts Macias faces 10 years in prison and a criminal fine up to \$300,000 officials said.

State vs. Mario Macias

# STAR-LEDGER

September 22, 1999

## **Pharmacist admits he bilked Medicaid**

ELIZABETH: A city pharmacist yesterday admitted he billed Medicaid for \$10,000 in prescriptions he never dispensed.

Nitin Khandwala, 38, of Livingston, pleaded guilty before Superior Court Judge Charles Delehey in Trenton to a single count of Medicaid fraud in connection with billings he made for the drug Serostim, which is used in the treatment of the late stages of AIDS, said state Attorney General John Farmer Jr.

Khandwala claimed he was owed \$10,000 for the Serostim when he never dispensed it or kept it on hand at his business, Community Pharmacy, said insurance fraud prosecutor Edward Neafsey.

Khandwala faces up to 180 days in jail and a fine of up to \$10,000 when he is sentenced in November.

**State vs. Nitin Khandwala**

## **ELIZABETH: Druggist admits he bilked Medicaid**

Published in the Home News Tribune 9/23/99

By KATHLEEN HOPKINS  
STAFF WRITER

An Elizabeth pharmacist has admitted that he submitted phony documentation to receive Medicaid reimbursement for \$10,000 worth of AIDS medication that he never dispensed.

Nitin Khandwala, 38, manager of Elizabeth Community Pharmacy on the 100 block of Third Street, pleaded guilty in Superior Court in Trenton Tuesday to one count of Medicaid fraud, a third-degree offense, said Insurance Fraud Prosecutor Edward M. Neafsey.

The fraud stemmed from Khandwala's submission to auditors from the state Medicaid agency of a false purchase invoice for Serostim, an expensive medication used in the treatment of the late stages of AIDS, Neafsey said Tuesday.

State auditors became suspicious when they noticed a substantial increase in the amount of money that Khandwala had been reimbursed from the Medicaid program for dispensing Serostim, Neafsey said. When the auditors referred the matter to the Insurance Fraud Prosecutor's Office, investigators sought documentation that Khandwala had actually dispensed the drug, Neafsey said.

To cover his tracks, Khandwala had one of his suppliers produce a false invoice, which he gave to the investigators, Neafsey said. The supplier cooperated with the investigation and was not charged, he added. Khandwala could face up to 180 days in jail and a fine up to \$10,000 when he is sentenced Nov. 5, Neafsey said. The pharmacy already has repaid the \$10,000, authorities said. As part of the plea agreement, Khandwala will be disqualified from participating in all state and federal health-care programs. Authorities also will seek to have his pharmacist's license revoked, Neafsey said.

"The Medicaid program provides money for medical services and prescription drugs for persons who otherwise could not afford to pay for them," Neafsey said. "This case is distressing because Khandwala, who had the privilege of holding a state pharmacist's license, was apparently willing to falsify records to steal Medicaid money from people who might need that money to survive."

from the Home News Tribune

Published: September 23, 1999

# Treatment center, officials charged with Medicaid fraud

12/08/99

By KAREN L. GREEN  
Staff Writer

MOUNT HOLLY -- Two directors and two employees of a Burlington City drug and alcohol treatment center have been accused of filing more than 800 false Medicaid claims between January 1998 and June of this year.

A four-count indictment handed up by a grand jury Monday charges Alan L. Daniel, 54, clinical director of the Family Enrichment Institute Inc. on Keim Boulevard; Harold G. Peart, 67, executive director; Walton H. Daniel, counselor; and Theresa Daniel, 44, counselor, with conspiracy, health care claims fraud and Medicaid fraud. Family Enrichment Institute itself is also named as a defendant.

The indictment is the first Medicaid fraud indictment filed under last year's Health Care Claims Fraud Act, Attorney General John J. Farmer said in a written statement yesterday.

Under the law, any person found guilty of submitting five fraudulent claims totaling more than \$1,000 faces a mandatory prison sentence, and licensed professionals face mandatory prison time regardless of the dollar fraud amount, Neafsey said.

Alan Daniel, Walton Daniel and Peart are licensed social workers. Theresa Daniel is not licensed as a counselor or health practitioner, according to the attorney general's office.

The case has been allocated to Superior Court here for trial, Edward M. Neafsey, insurance fraud prosecutor in the attorney general's office, said yesterday.

THE TOTAL amount of billing in question for the criminal charges is about \$20,000, Neafsey said.

In one case, the defendants allegedly submitted eight claims to Medicaid for services rendered to a patient who had died prior to the date of services, Neafsey said.

Defendants also allegedly charged Medicaid for treating certain patients two times a week when the patients were only seen once a week.

Investigators went to Family Enrichment under cover as clients covered by Medicaid, Neafsey said.

The investigators were seen for an initial consultation, and although none returned for additional treatment, the defendants continued to bill Medicaid, Neafsey said.

Investigators from the insurance fraud arm of the state attorney general's office began to look into activities at Family Enrichment last year after the state Department of Health and Human Services Division of Medical Assistance and Health Services Programs alerted the attorney general's office of suspicious billings, Neafsey

said.

Insurance fraud investigators talked with some Family Enrichment clients and found that some billed-for services had not occurred, Neafsey said.

Materials seized through a search warrant executed at Family Enrichment also led to the criminal charges, Neafsey said.

If convicted of the charges, each defendant would face up to 20 years in prison and fines of up to \$315,000, according to the attorney general's office.

PEART, reached by telephone at Family Enrichment yesterday, said he had not seen the indictment and referred the call to his attorney, Wayne Powell of Cherry Hill. Neither Powell nor any of the other defendants could be reached yesterday.

Leonard Baker, attorney of record for Alan L. Daniel in a civil forfeiture action brought by the attorney general's office against Family Enrichment, Alan L. Daniel, Walton Daniel and Peart in September, also could not be reached.

"If you put everything together that we have, I am confident we will be able to establish at trial this was more than a simple mistake. This was intentional fraudulent conduct," Neafsey said by telephone yesterday.

Summonses to notify the defendants of Monday's action against them have been issued, Neafsey said. No arraignment date has been set, but it will probably be scheduled for after the new year, the prosecutor said.

"Fighting Medicaid fraud in all its nefarious forms is a top priority for this office," Farmer said in the written statement.

"Nationally, Medicaid fraud is in the billions of dollars, while in New Jersey it is estimated that the fraud is as much as \$600 million annually," Farmer said.

Billing records indicate Medicaid paid the institute a total of \$472,694 in 1998 and \$310,911 between January and June 25 of this year, according to court documents.



## **Operators of Burl. City drug treatment center indicted**

**By John P. McAlpin**

BCT staff writer

The operators of a Burlington City drug treatment center are the first in the state to be indicted under a new insurance fraud law that dictates long prison terms and hefty fines, the state Attorney General's office said yesterday.

A state grand jury charged two counselors and two top officials from the Family Lower Bucks Enrichment Institute with running an illegal billing operation that bilked Medicaid for payments for office visits where patients never showed for treatment. \_

In one case, prosecutors allege they asked Medicaid to pay for several weeks of treatments to cover visits made by a patient who was dead for months.

The fraud covered approximately 886 bogus claims totaling \$20,132, according to a copy of the indictment returned by the grand jury on Monday.

If convicted of all four counts of conspiracy and fraud outlined in the indictment, each defendant could be sentenced up to 20 years in prison and fined \$315,000 in maximum penalties.

The four defendants were charged under a 1998 statute that makes it easier for prosecutors to attack fraud in health care. "This is the first Medicaid fraud prosecution under that act," said Insurance Fraud Prosecutor Edward M. Neafsey of the Attorney General's Office. "This act is a very powerful tool for law enforcement." Earlier laws forced prosecutors to prove thefts of over \$75,000 to qualify for likely prison terms, Neafsey said.

"Now you don't have to focus on getting to an arbitrary dollar amount. You can focus on the fraud," the prosecutor said.

All four defendants have been charged with crimes that carry prison terms of up to 10 years. Under state sentencing guidelines, a likely term for first offenders is seven years.

"Even if you have no record, if you are convicted of a second-degree crime, you are going to go to state prison," Neafsey said.

In addition to fines, the court can also order restitution, he added.

Named in the indictment were Alan L. Daniel, 54, of Burlington Township; Harold G. Peart, 67, of Willingboro; Theresa D. Daniel, 44, of Burlington Township; and Walton H. Daniel, age unknown, of St. Vincent, West Indies.

Summonses have been issued for Peart, Theresa D. Daniel and Alan L. Daniel. Authorities issued an arrest warrant for Walton H. Daniel.

Peart was listed as the company's executive director and Alan L. Daniel the clinical director. The others were employed as counselors, according to state records.

Calls seeking comment to Family Enrichment Center's Keim Boulevard offices were not returned.

Peart denied accusations of fraud during an interview earlier this year after the Attorney General's office filed court papers seeking to seize the company's assets.

In September, the Attorney General's office outlined the same fraud charges in the civil action, asking the court to turn over more than \$35,000 in accounts held by the business. In court papers, the state argued that the funds were profits from the illegal fraud enterprise.

The lawsuit and the indictment followed a raid in June when state agents seized business records, Neafsey said.

The investigation began in late 1998 after a request from the state Department of Human Services.

"They at one point became suspicious about some of the billing and referred the matter to our office," Neafsey said.

According to the indictment, undercover state investigators visited the treatment center. Later records showed that Medicaid was billed repeatedly for visits the agents never made, according to court papers.

While searching the seized records, investigators attempted to track down many of the patients to verify the bills sent to Medicaid, Neafsey said.

One of those patients was dead when records showed she was being treated at the Family Enrichment Institute, he said.

"We attempted to interview her and we found out she died many months earlier," Neafsey said.

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# BERGEN RECORD

July 8, 1999

## Wayne doctor admits insurance fraud

By DAN KRAUT  
Staff Writer

In a key conviction for state insurance fraud prosecutors, a doctor who billed for treatments in Passaic County when he was in fact vacationing in Florida pleaded guilty Wednesday to fraud charges.

Dr. Lawrence Nessman, who had offices in Wayne and Paterson, pleaded guilty to theft by deception for overbilling insurance companies more than \$300,000 from 1991 to 1996. He admitted illegally collecting \$213,000 of that sum.

Nessman is the first Passaic County professional convicted as a result of a probe by the state Insurance Fraud Prosecutor's Office. That agency was created last year in the wake of revelations that organized networks operating in and around Passaic County were responsible for fraudulent auto insurance claims in excess of \$50 million.

Nessman's sentencing, scheduled for Oct. 8, will be watched closely by insurers, criminal investigators, and scam artists, who for years have seen professionals profit from the rampant fraud in the county and go largely unpunished.

As part of a plea deal announced before Judge Joseph A. Falcone in state Superior Court in Paterson, Nessman faces up to five years in prison, restitution of the stolen \$213,000, and a \$100,000 state fine.

The 68-year-old Wayne resident has not practiced medicine since 1996, when he forfeited his license after a state civil investigation.

In that investigation, prompted by complaints by Liberty Mutual Insurance Co. about suspicious billings, the state sent an undercover investigator to Nessman's office claiming she had been in an accident.

According to state documents Nessman was more concerned with building a personal-injury case than in accurately diagnosing or treating any ailment. First, Nessman told the undercover officer, "Your pain is in your upper back," and then he referred her to a Paterson lawyer, the documents state.

When another undercover officer claiming to have been in the same crash was referred to Nessman by the Paterson lawyer, the doctor placed his hand on his back and said, "Your pain is here," and advised him to take three months off work "for insurance purposes."

The state's case against Nessman became unexpectedly easy when he began billing for treating undercover agents when airline records proved he was in Florida, records show. Eventually, the state determined that Nessman sent bills for at least 102 patients whom he said he personally treated on days when he was vacationing.

Even when Nessman was in his medical office, "there was little therapeutic value to the services he rendered," according to state records filed in 1996 to suspend him from practicing medicine.

Nessman and his lawyer rushed from the courtroom Wednesday after his plea, but in an interview in March, after State Farm Insurance Co. accused him of fraud in a civil suit, Nessman said any overbilling was the result 'of clerical errors. And he accused insurance companies of greed and entrapment.

Nessman, known in Wayne for his philanthropic efforts, stood with his hands on his belt during the proceedings and answered Falcone's questions with "No, your honor" and "Yes, your honor" as his wife watched.

He was released without bail pending sentencing. His lawyer, Joseph T. Afflitto, said before hurrying from the courthouse that Nessman should be spared jail if he pays restitution and fines.

But Deputy Attorney General Andrew Fried said he will seek the maximum penalty. Fried declined to comment further or to answer any questions about David Zendell, the Paterson lawyer named in the state documents.

Zendell, who did not return a call Wednesday, has not been accused of any wrongdoing. This year, he was one of a group of lawyers whose documents were subpoenaed by the county prosecutor for review by a grand jury specially convened to hear insurance fraud cases, sources close to the probe said.

Nessman's plea comes at a time of increasing scrutiny of fraud in Passaic County. Since 1990, insurers have sued about 3,000 people, accusing them of staging car crashes and faking injuries to submit more than \$50 million in bogus bills. The Passaic County Prosecutor's Office has criminally charged about 100 people in that scheme, almost all of them low-level participants who rode in cars and pressed phony claims.

For most of this year, the Prosecutor's Office has been increasing its focus on doctors and lawyers in staged-accident schemes, but it has not charged any professionals.

The state Insurance Fraud Prosecutor's Office has been busy as well.

In addition to the Nessman case, that office filed fraud charges against an employee of a Passaic chiropractor's office in February, seized the records of two East Orange chiropractors in March, and charged two Hudson County chiropractors with bribery in April.

State vs Lawrence Nessman

# Doctor gets probation in insurance fraud case

*Thursday, December 16, 1999*

By DAN KRAUT  
*Staff Writer*

Five months ago, Dr. Lawrence Nessman admitted stealing \$213,000 from insurers after he was accused of billing for treatments in Wayne and Paterson when he was in fact vacationing in Florida.

But Wednesday, he got a "monumental break," in the words of the state judge who sentenced the Wayne resident to five years' probation.

State Superior Court Judge Joseph Falcone also imposed a 364-day jail term on Nessman, 68. But the term is not set to begin until April, and if Nessman pays back the stolen funds and a \$100,000 fine by then, he'll likely avoid jail altogether, said his lawyer, Joseph Afflitto Sr.

Falcone could have sentenced Nessman to up to five years in prison, and said such a term would have sent a message of deterrence to other cheaters. But the judge said the lighter sentence was based partly on the poor health of Nessman, who suffers from prostate cancer.

"His imprisonment would be a serious injustice," said Falcone.

Nessman was the first Passaic County doctor charged with a crime by the state Office of the Insurance Fraud Prosecutor - which was established in 1998 partly because of outrage that other crooked doctors in the area were punished only with fines and suspended medical licenses.

Edward M. Neafsey, the state's top insurance fraud prosecutor, was guarded in his comments about the sentencing.

"Perhaps the holiday season is a season for monumental breaks," he said in a telephone interview. "It strikes me the judge is trying to temper justice with some mercy."

A lawyer for Liberty Mutual Insurance Co., which helped uncover the fraud, was more outspoken.

"Dr. Nessman received a sentence which didn't reflect the involved nature with which he pursued his scheme," said Thomas Mulvihill.

According to documents filed in 1996 as part of the state's successful effort to strip Nessman's medical license, he was more concerned with building personal-injury cases than diagnosing or treating ailments. When one undercover officer went to his office, Nessman placed his hand on his back, said "Your pain is here," and advised him to take three months off work "for insurance purposes," the documents state.

The state determined that Nessman sent bills for treating at least 102 patients on days he was actually vacationing. Even when Nessman was in his medical office, "there was little therapeutic value to the services he rendered," according to state documents.

Afflitto painted a different picture Wednesday, saying overbilling was partly the result of inattention and

inexperience with computers. He said that a computer was set to submit bills based on Nessman's regular schedule of treating patients, and that it was not reprogrammed before vacations.

Also, Afflitto described Nessman as a dedicated physician with a history of helping the poor, and said he had already suffered through the loss of his license and the humiliation of media attention. He said Nessman was selling his office in Paterson and also property in Florida to raise money for restitution.

Thirteen people wrote to the judge in behalf of Nessman, including other doctors, neighbors, former employees, and a rabbi. Also, his wife, Leslie, wrote of his service on medical missions with the U.S. Army reserves -- including one to Honduras about 12 years ago --just months after he suffered a heart attack.

"He answered the call because our embassy had been blown up and he promised his troops that he would go," she wrote.

Falcone noted that many of the letters refer to his charitable efforts locally and in Israel.

The State Farm Indemnity Co., which has sued Nessman claiming he submitted \$26,000 in fraudulent claims, wrote a letter demanding a stiff sentence and citing the costs of fraud to honest ratepayers.

Nessman pleaded guilty in July before Falcone in Paterson. Wednesday's proceedings were in Newark, where Falcone now serves. He declined to comment on the sentence.

# Philadelphia Inquirer

April 13, 1999

## Authorities: Stores fell for a con artist's act

A Vineland man is accused of staging slip-and-fall accidents and collecting compensation.

By Shannon O'Boye  
INQUIRER SUBURBAN STAFF

A Vineland man with a string of aliases took a dive at stores across South Jersey in the hope of winning cash settlements from insurance companies, the state Attorney General's Office has charged.

Ernest Woodson, of the 800 block of East Walnut Road, is accused of filing at least 17 false insurance claims in the last 10 months, authorities said. He was charged yesterday with three counts of theft by deception on allegations that he took cash totaling more than \$6,800 from a drugstore, a supermarket and a convenience store, all in Cumberland County; last summer.

According to complaints filed in Vineland Municipal Court, Woodson staged slip-and-fall accidents and then claimed minor bodily injury, such as a broken tooth. He would complain, and the store's insurance companies would pay him compensation.

Authorities said he won \$750 for a fall at a Vineland Wawa store on June 17, \$5,088.95 for a fall July 7 at a Vineland Rite-Aid store, and \$1,000 for a slip Sept. 14 at a Bridgeton Thriftway store.

The charges are third-degree crimes. If convicted, Woodson could face 15 years in prison and \$30,000 in fines, according to Deputy Attorney General Jeffrey Catrambone.

Woodson "had almost as many names as he had accidents, authorities said. He has also been known as Ted Woodson, James Perkins, Joseph Woodson, Montell James, Alex Maxie, Nanny James, and Marcellus Woodson, they said.

Woodson did not post \$25,000 cash bail and was being held at the Cumberland County Jail while awaiting a court hearing.

State v. Ernest Woodson

## Asbury Park Press

February 27, 1999

# Man gets 10 years in Medicaid fraud case

## *Ex-Manalapan lab operator must repay state \$1M*

By Elaine Silvestrini  
FREEHOLD BUREAU

FREEHOLD - A man described by a prosecutor as "the straw that stirred the drink" in a massive criminal conspiracy that bilked millions from state Medicaid funds was sentenced yesterday to 10 years in state prison.

Mohammad A. Javid, 45, formerly of Metuchen, orchestrated the scheme through a Manalapan medical laboratory he operated in 1995. Javid pleaded guilty last year to theft by deception and money laundering and has been cooperating with state officials in the prosecution of his co-defendants, as well as in the investigations of other cases.

Javid admitted paying \$1.7 million in kickbacks to the operators of several North Jersey clinics who furnished him with blood and forged requisition forms. He was ordered yesterday to reimburse the state more than \$1 million.

Javid told Superior Court Judge Michael D. Farren that he was waiving his right to contest the amount of restitution and would not seek a hearing to determine his ability to pay it. This was Javid's third felony conviction, and at the time of these offenses, he was on parole for similar crimes in New York.

Before he was sentenced, Javid told the judge, "I'm very sorry. I feel remorse for what I did. I'm sorry for my family. I apologize for that."

Javid's wife tearfully pleaded with the judge for mercy, saying her husband is "a very good man, a very good father."

Defense lawyer Lorraine Nielsen told Farren that Javid's cooperation with authorities had imperiled his safety in prison, requiring him to be segregated from other inmates and possibly affecting his parole eligibility date.

Javid testified for the state in a trial that ended in January with the conviction of clinic operator Tahir Sherani of East Orange. Sherani was convicted of charges including conspiracy, theft, medicaid fraud, money laundering and corporate misconduct, and faces sentencing in April. Another defendant, Rehan Zuberi, pleaded guilty in December to theft and money laundering and is scheduled to be sentenced next month.

Authorities say the criminal enterprise bilked a total of more than \$4 million from Medicaid.

Javid was a corporate officer in United Clinical Laboratory Inc., which solicited blood from the clinics. UCL was affiliated with United Diagnostic Laboratories Inc., which performed the testing and billed Medicaid. UCL is now defunct, and UDL has since gone bankrupt, according to Deputy Attorney General John Krayniak. Both laboratories were based in Manalapan.

Under the terms of a plea agreement between Javid and the attorney general's office, the defendant could have faced up to 14 years in prison, with seven years of parole disqualification. However, because of his cooperation, Deputy Attorney General Cherrie Black recommended the 10-year sentence with no minimum parole date.

Under state parole guidelines, Javid could be eligible for release after serving less than two years. He has already served longer than that while awaiting sentencing. Black has said the U.S. Immigration and



Naturalization Service has placed a detainer on Javid, a resident alien from Pakistan, meaning he is subject to deportation after he completes his prison sentence.

While Black said Javid's cooperation with law enforcement had been extensive; she also described his role in the criminal scheme as central to the operation.

"By (his) paying these kickbacks, it resulted in blood and specimens being brought into the lab that there was no reason to test," Black said. The blood that was tested and for which Medicaid was billed had been bought on the streets, she added.

"To borrow a phrase from baseball –I think it was said by Reggie Jackson when he was at the top of game--Mr. Javid was the straw that stirred the drink in this criminal conspiracy," Black said.

Noting that the Medicaid funds that were stolen were meant for the poor, Black said, "This displacement of services and funds hurts us all."

Farren agreed, saying "Mr. Javid has not only been stealing from the state, but stealing from the poor, and the word has to go out that this will not be countenanced."

**State vs. Mohammad Javid**

Asbury Park Press

April 2, 1999

# Man gets prison in Medicaid fraud scheme

By ELAINE SILVESTRINI  
FREEHOLD BUREAU

Freehold--A figure in a criminal conspiracy that bilked millions from state Medicaid funds was sentenced yesterday to 364 days in jail and five years probation.

Tatiir S. Sherani, 33, of South Orange, also was ordered by Superior Court Judge Michael D. Farren to pay \$74,510 restitution to Medicaid and \$4,500 in fines, according to Deputy Attorney General John Krayniak, who prosecuted the case.

The leader of the scheme, Mohammad A. Javid, 45, of Metuchen, has been sentenced to 10 years in state prison. Javid, who pleaded guilty to theft by deception and money laundering admitted paying \$1.7 million in kickbacks to the operators of several North Jersey clinics, including Sherani, who furnished him with blood and forged requisition forms.

After a trial in January Sherani was convicted of conspiracy, theft, corporate misconduct, money laundering and two counts of Medicaid fraud.

According to Krayniak, although the prosecution presented evidence that Sherani's thefts amounted to well over \$227,040, the jury concluded the amount was less than \$75,000. That meant the charges were third-degree, rather than second.

Third-degree crimes carry a maximum of five years in state prison, but with a presumption that a first offender will be sentenced to probation. Second-degree crimes carry a maximum of 10 years incarceration, and a presumption that a defendant will be incarcerated in a state prison.

Krayniak said Sherani is a resident alien from Pakistan. He did not know how the conviction would affect the defendant's immigration status.

Authorities say the criminal enterprise bilked a total of more than \$4 million from Medicaid.

**State vs. Tahir Sherani**

# Clinic owner indicted on fraud charges

*Tuesday, September 14, 1999*

By DAN KRAUT

*Staff Writer*

The owner of a Paterson medical office who has been on the run for two years was indicted Monday on charges of bilking Medicaid of about \$450,000, authorities said.

Mohammad Haider, 33, allegedly submitted thousands of claims for tests that were not done and for which his clinic did not have equipment, authorities said. Officials allege that several Medicaid recipients said they were never even at East Broadway Medical Associates, though Haider billed for treating them there.

Haider, who had an address in Queens, was first charged with theft in 1997. But shortly after he was notified that his claims were being reviewed in 1997, the clinic shut down and he disappeared, authorities said.

"It's really a typical 'bust-out case,' where you have a clinic set up to defraud federal and state Medicaid monies, and then it shuts down as soon as the heat is on," said Edward M. Neafsey, the state insurance-fraud prosecutor. If convicted of theft by deception, Haider faces up to 10 years in prison and up to \$150,000 in fines.

Even though a warrant has been out for Haider's arrest since 1997, Neafsey said, the allegations were presented to a grand jury for indictment so that authorities could arrest Haider at any time without worrying about a statute of limitations.

According to a source familiar with the case, Haider was last seen in Georgia, and some of the money he obtained has been transferred to accounts in Pakistan.

Patients who visited East Broadway were treated properly, says Neafsey's office, and physicians at the clinic are not suspected of wrongdoing.

Haider is suspected of obtaining documents from unsuspecting Medicaid recipients and then submitting bills, even if no one had sought treatment at his office. Investigators said they were uncertain how Haider allegedly obtained these documents -- though, they said, doing so would be no harder than illegally obtaining a stranger's credit card number, a common crime in North Jersey.

According to Monday's indictment, the fraudulent billing spanned the entire time the clinic was in operation, from July 1996 through November 1997. Suspicions were aroused that November when Haider's billing reached an unusually high level, the source said.

Passaic County has long been known as a national center for insurance fraud, with about 100 people already charged with staging car crashes and faking injuries to inflate claims. Those suspects, however, are accused of bilking private insurance companies rather than Medicaid, a federal-state program that helps pay for health care for the needy, aged, blind, and disabled and for low-income families with children.

## COURIER POST

April 13, 1999

### Vineland man suspected of fake insurance claims

VINELAND - Ernest Woodson is having a tough time staying on his feet, according to state insurance fraud prosecutors.

In the last 10 months, the Vineland man made 17 claims for bogus slip-and-fall accidents, according to a criminal complaint filed Monday.

Woodson improperly collected a total of \$6,839 from insurance claims against a drugstore, a supermarket and a convenience store, the charges said.

The amounts received on the other incidents have not been made public.

He typically said he hurt a tooth or a joint, and damaged his eyeglasses, and sought compensation either from the business owner or its insurer, Assistant Attorney General Edward M. Neafsey said.

"One of our investigators received a tip about this individual, who was either the most unlucky individual in South Jersey or a scam artist," said Neafsey, who heads state efforts against insurance fraud.

State v Ernest Woodson

# MILLVILLE DAILY JOURNAL

April 13, 1999

## Local man accused of scamming area stores

**By JOSEPH P. SMITH**  
**Staff Writer**

**VINELAND** -- A city man with a shopping bag of false identities was charged Monday with defrauding area stores of more than \$6,800 in insurance settlements last year.

Ernest Woodson, 62, told store managers he had fallen and then asked for money to replace his eyeglasses, state officials said. He also claimed various injuries.

Woodson is charged with three counts of theft by deception, but allegedly submitted at least 17 false claims during the last 10 months. Investigators have a list of seven aliases Woodson used, according to Assistant Attorney General Edward M. Neafsey, an insurance fraud prosecutor.

Similar scams cost New Jersey businesses about \$500 million a year, said John Tiene, executive director of the Insurance Council of New Jersey.

State officials and police arrested Woodson at his home in The Village Apartments on East Walnut Road.

Cumberland County Superior Court set a cash bail figure of \$25,000.

The complaints against Woodson involve a June 17, 1998, incident at a Wawa store in Vineland, which netted the suspect \$760 from AIG Insurance Co.; a July 7, 1998, incident at a Rite Aid pharmacy in Vineland, which netted \$5,088.95 from Liberty Mutual Insurance Co.; and a Sept. 14, 1998, incident at the Plaza Thriftway in Bridgeton, which netted \$1,000 from Selective Insurance Co.

Woodson faces a maximum of five years imprisonment and a \$10,000 fine on each count.

**State v. Ernest Woodson**

# THE NEW YORK TIMES

April 13, 1999

## *Man Is Charged In Insurance Scam*

VINELAND - A Vineland man has made 17 insurance claims in the last 10 months for fake slip-and-fall accidents, according to a criminal complaint filed yesterday by state insurance fraud prosecutors.

Ernest Woodson, 52, improperly collected a total of \$6,839 from insurance claims against a drugstore, a supermarket and a convenience store; the charges said. The amounts received on the other incidents haven't yet been made public.

He typically said he had damaged a tooth or a joint and his eyeglasses, and sought compensation either from the business owner or its insurer, an Assistant Attorney General, Edward M. Neafsey, said.

"One of our investigators received a tip about this individual, who was either the most unlucky individual in South Jersey or a scam artist," said Mr. Neafsey, who heads state efforts against insurance fraud.

Agents of the attorney general's office arrested Mr. Woodson yesterday, and he was being held on \$25,000 bail at the Cumberland County Jail.

Each of the three theft charges carries up to five years in prison and a \$10,000 fine. (AP)

**State v. Ernest Woodson**

# THE NEW YORK TIMES

September 11, 1999

## Metro News Briefs

### NEW JERSEY

#### *Man Admits to Fraud In Series of Phony Falls*

BRIDGETON - After staging a nine-month spree of fraudulent slip-and-fall accidents in supermarkets and convenience stores across New Jersey, Ernest Woodson, 52, of Vineland, pleaded guilty to third-degree health care fraud on Thursday, admitting that he received nearly \$10,000 from nine insurance companies after faking injuries from the falls, state officials said.

Edward Neafsey, the State Insurance Fraud Prosecutor, said Mr. Woodson staged 21 separate slip-and-fall accidents before his arrest in April. He would pretend to trip on anything from fallen produce to wet spots on the floor and would claim injuries ranging from broken teeth to a sore arm, Mr. Neafsey said.

On most occasions, the insurance companies would not contest Mr. Woodson's claims because they were fairly modest, Mr. Neafsey added. As part of his plea agreement, entered in State Superior Court in Cumberland County, Mr. Woodson has agreed to pay back the \$9,526 he stole from the insurance carriers and could face a year in prison when he is sentenced on Oct. 15.

"This is just how he made money," Mr. Neafsey said of Mr. Woodson's phony spills. "Some people work. He fell."

**State vs Ernest Woodson**

THE ASSOCIATED PRESS  
September 11, 1999

SATURDAY, SEPT. 11, 1999

## Man admits slip-and-fall scams that netted \$9,526

THE ASSOCIATED PRESS

VINELAND - Whoops! There goes Ernest Woodson again.

But this time, he might be going to jail.

The 52-year-old Vineland resident has admitted staging slip-and-fall accidents that bilked more than \$9,500 from nine insurance companies over the past nine months. And insurers were set to pay him an additional \$22,500 before he was arrested in April.

Prosecutors said Woodson slipped on produce, wet spots, laundry detergent and other substances. He would then claim his teeth or eyeglasses had been damaged in the fall.

"Once he found he could get away with this, he started to use this scam more and more until he got caught," said New Jersey Insurance Fraud Prosecutor Edward Neafsey.

Neafsey said Woodson was the first slip-and-fall scam artist prosecuted by the state this year, but added the problem is a widespread one, particularly in casinos and supermarkets.

He said many insurance companies would simply pay the claims when they could not refute them.

Neafsey said he will seek a jail term for Woodson, who agreed to pay back \$9,526, "to make sure the message gets out in this case."

State vs Ernest Woodson



# Vineland man gets year in jail for slip-and-fall scams

By TIM ZATZARINY JR.

Staff Writer, (856) 794-5113

**BRIDGETON** -- Ernest Woodson took the hardest fall of all Friday, and he landed in jail.

Woodson, 52, of Vineland, was sentenced to 364 days in the Cumberland County Jail and four years of probation for faking 21 slip-and-fall accidents at supermarkets and department stores in three states.

A judge also ordered him to pay \$9,562 in restitution.

Woodson pleaded guilty last month to charges of theft by deception and health-care-claims fraud.

The phony accidents took place over nine months in New Jersey, Virginia and Maryland.

According to the state Attorney General's Office, Woodson collected money after filing fraudulent claims against the stores' insurance companies.

He would slip on produce, laundry detergent or anything else that was convenient, then claim his teeth or eyeglasses were damaged, prosecutors said.

Woodson staged a fall at the Acme supermarket on Main Road in Vineland on Oct. 12, 1998. The next day, he took a tumble inside Bradlees at the Cumberland Mall in Vineland.

Less than a week later, he fell twice more at other stores in Vineland and Millville.

Many insurance companies paid Woodson's claims rather than spend large amounts of money and time fighting them, prosecutors said.

But after Woodson filed separate claims with the same companies, suspicious insurance agents notified the Attorney General's Office.

Woodson was arrested at his home on April 12.

His lawyer, Brock Russell of Millville, argued during the sentencing hearing that Woodson should be given probation instead of jail time because he has been diagnosed with multiple

sclerosis.

Woodson arrived at the courtroom in a wheelchair and appeared to be crying as family members sat nearby.

Insurance Fraud Prosecutor Jeffrey Catrambone argued that Woodson's two previous convictions in Pennsylvania on similar charges showed he was not a good candidate for probation.

"Mr. Woodson's actions represent a continuing scheme of fraud," Catrambone said. "The only reason he stopped committing the fraudulent acts in this case is because he was arrested."

Prosecutors said they sought jail time for Woodson to send a message.

"In the past, a crime like this has been perceived as one that goes unpunished," Catrambone said. "A jail sentence in this case would show people that those who commit fraud will be punished."

Woodson said nothing during the hearing.

Superior Court Judge Rushton H. Ridgway said he was sympathetic to Woodson's health problems, "but that does not take away from the fact that you have cheated people and a number of institutions for a long period of time."

# STAR-LEDGER

August 27, 1999

## 2 charged with defrauding Medicaid

By Argelio Dumenigo  
Star-Ledger Staff

A Woodbridge transportation company and its owners were charged yesterday with defrauding the Medicaid program of more than \$500,000, state authorities said.

Genady Chulak, 43, and Elana Bilenkin, 29, both of Old Bridge, were charged with conspiracy, theft by deception, medical fraud and corporate misconduct, Attorney General John Farmer said.

The owners of Medicall, part of GGE Impact Corp., would inflate mileage charges for the transportation they provided to Medicaid recipients who required invalid coach service, Insurance Fraud Prosecutor Edward Neafsey said.

The company provided transportation to several hospitals, including Rahway Hospital in Union County, Raritan Bay Medical Center in Perth Amboy and Saint Peter's University Hospital in New Brunswick; Neafsey said. The pair had been inflating the charges for three years, he said.

The year-old state Office of Insurance Fraud began investigating the company after receiving a tip from the state Department of Human Services, Neafsey said. After the investigation, the state executed a search warrant at Medicall's office on Kimball Street.

During the search, investigators seized 10 certificates of deposits in the defendants' names totaling \$950,000 and six invalid coach vans, authorities said. The certificates and the vans are subject to forfeiture.

If convicted, Chulak and Bilenkin face up to eight years in prison and fines of up to \$110,000. GGE Impact Corp. faces fines of up to \$300,000.

The defendants are also being charged with a kickback violation of the Medicaid fraud statute for paying their Medicaid passengers \$5 each time they used a Medicall van, authorities said. Medicaid is a joint, state-federal health insurance program for the poor.

Neither of the defendants or their attorneys - John Furlong of Trenton, who is representing Chulak, and Patrick O'Hara of Somerville, who is representing Bilenkin - could be reached for comment yesterday.

State vs Chulak, et al

Associated Press  
*August 27, 1999*

## NJ. company is indicted for Medicaid fraud

TRENTON A Woodbridge invalid coach company and its owners were indicted yesterday for defrauding Medicaid out of more than \$600,000 by inflating mileage charges for transporting patients.

Genady Chulak 43, and Elana Bilenkin, 29, both of Old Bridge and their company, GEE Impact Corp. doing business as Medicall were indicted on conspiracy theft by deception and medicaid fraud charges.

The two owners also were indicted for corporate misconduct.

State insurance fraud prosecutor Edward M. Neafsey said the defendants inflated mileage charges for transportation services provided to Medicaid recipients over a 3-year period. In some instances, he said, they inflated the charges several times over.

"This case is particularly egregious because the defendants took advantage of people who were poor, disabled or infirm in perpetrating this fraudulent scheme" Neafsey, said.

Investigators searched the Kimball Street offices of Medicall and found 10 certificates of deposit in the defendants' names, each of which was for \$96,000. The certificates, along with six invalid coach transportation vans, were seized. The state Attorney General's Office plans to start forfeiture proceedings against them.

Supervising Deputy Attorney General John Krayniak, Chief of the Medicaid fraud section, said the defendants paid the patients a kickback of \$5 each time they utilized Medicall vans.

There was no telephone listing for either GGE Impact Corp, or Medicall. Telephone messages left at Chulak's home and the office of his lawyer, John Furlong, were not returned, and there was no listing, for Bilenkin. Her lawyer, Patrick O'Hara, could not be reached for comment yesterday.

### **State vs Chulak, et al**

# **Ring staged car crashes to defraud insurers**

## **Using a new law, state arrests 6 in phony health claims scam**

By Joe Donohue and MaryAnn Spoto  
STAR-LEDGER STAFF

**STAR-LEDGER**

**July 14, 1999**

State investigators said yesterday they nabbed the ringleaders of a phony auto accident scam that insurance industry officials said could turn out to be one of the largest fraud cases in state history.

Six northern New Jersey residents were arrested and charged with being part of an organized crime operation that allegedly staged accidents and defrauded insurance companies out of more than \$100,000 in false medical claims.

Warrants were out for six others, and officials said further arrests are likely. One insurance industry official speaking on condition of anonymity, said there could ultimately be "thousands" of defendants named in lawsuits brought by insurance companies victimized in the scam.

Edward Neafsey, the state's insurance fraud prosecutor, was more cautious in announcing the arrests but agreed that the scope of the investigation is broad.

"It's very fair to say when we complete our investigation, that this fraud ring will be exposed and be shown to be much more extensive than the participants who were arrested today," he said.

Neafsey said the arrests mark the first time law enforcement officials were able to penetrate an insurance fraud ring using undercover investigators. It also is the first time an alleged organized crime ring was broken using a new state law that makes it easier to prosecute insurance cheats.

Authorities will not know the full extent of alleged operation until investigators review records seized from a chiropractic billing company in Somerset County and from seven chiropractic facilities in Union, Middlesex, Essex and Somerset counties.

Neafsey said the investigation began with an anonymous letter tipping authorities off to a suspected staged accident.

He said the ring used "runners" to stage automobile accidents and a number of chiropractic clinics to treat the "injured." The clinics then would bill several insurance companies for the same treatment or file false claims for treatment that never occurred.

The prosecutors said the accidents either involved one participant rear-ending the vehicle of another participant, or running a vehicle into a stationary object such as a utility pole. In one suspected staged incident earlier this year in Union Township, a car with five people struck a pole, authorities believe most or all of them filed false insurance claims.

Neafsey said drivers in the phony accidents could earn up to \$800 and passengers \$400.

After the arrests yesterday; investigators carted out boxes of records from the Elizabeth Injury Center and the Accident Recovery Center, two chiropractic clinics two blocks apart on Elizabeth Avenue in Elizabeth.

Authorities also searched the Accident Therapy and Rehabilitation Center and the Amboy Injury Center in Perth Amboy, the Prospect Spinal Trauma Center in Newark, the Plainfield Injury Center in Plainfield and Tall Pines Chiropractic in Franklin Township. Investigators also seized records from Kamaya Medical Management, a billing center for chiropractic centers, in Somerset, Neafsey said.

The alleged ringleaders were identified as Victor "Bacana" Almonte, 33, and Alejandro "Alex" Ventura 34, both of Elizabeth, and Anhuar Bandy, 36, of New Brunswick. They were charged with racketeering and conspiracy to commit health care fraud.

Neafsey said records show Bandy, whose bail was set at \$500,000, has a financial interest in all of the chiropractic facilities where documents were seized yesterday. He said it is too early to tell whether the clinics were established solely for the alleged fraud operation. Almonte and Ventura, whose bails were set at \$100,000 and \$400,000 respectively are accused of recruiting participants in the alleged ring, primarily by word of mouth.

Three people were arrested yesterday on charges, they participated in staged accidents: Jessica Montalvo and Jacqueline Vasquez, both 19, of Newark, and Mohammed Attalla, 27, of Roselle Park. They were charged with health-care claims fraud. The arrests came under a relatively new law; the Health Care Claims Fraud Act, which allows investigators to charge people who file five separate false billings that total at least \$1,000 with a second-degree offense punishable by up to 10 years in prison. Previously, investigators had to uncover \$75,000 worth of false claims for a second-degree offense, Neafsey said

The investigation occurred with the assistance of Allstate, Liberty Mutual, MDA, Parkway, Prudential, Selective, Sentry and State Farm insurance companies, Neafsey said.

Chris Neal, spokesman for State Farm, the state's largest auto insurer, said the company's investigators have been working on the case for two years. He said State Farm intends to file a civil lawsuit soon that will be "certainly one of the largest ever" brought by the company in the state.

"This is very large in scope . . . . I understand it's going to be significant when it all pans out," he said.

The six suspects sought on charges of participating in staged accidents were identified as: Fernando Sanchez, 24; Israel Guevara, 28; Samuel Ortega, also known as Samuel Alvarez, 37; Natalio Arrey, 23; and Martilla Enriques, 41, all of Elizabeth, and Josue Cepedes, 25, of North Bergen.

## **State vs Anhuar Bandy, et al**

# **Chiropractic owner called fraud setup's ringleader**

Published in the Home News Tribune

By BART CALENDAR  
STAFF WRITER

A New Brunswick man who owns several chiropractic centers in central and northern New Jersey was arrested yesterday for allegedly running a ring that staged automobile accidents and stole at least \$100,000 by filing false medical claims, authorities said.

State Insurance Fraud Prosecutor Edward M. Neafsey said this is the first time his office is pursuing a health-care fraud case using the state's organized-crime statutes.

He stressed that Anhuar Bandy, 36, does not have any Mafia connections but was charged under these statutes because he was a "ringleader" in what authorities called a scheme that defrauded insurance companies of at least \$100,000.

Bandy has been charged with conspiracy to commit health-care fraud and racketeering.

Victor "Bacana" Almonte, 33, and Alejandro "Alex" Ventura, 34, both of Elizabeth, were arrested on similar charges, officials said. They acted as "runners," recruiting people into staging fake crashes and then billing for unneeded medical care from Bandy's clinics, authorities said.

Three others were arrested for allegedly staging auto accidents and submitting claims for chiropractic care they did not need or receive; arrest warrants also were issued for six others on the same charges, officials said.

Authorities yesterday took records from several businesses that Bandy either owns or has an ownership interest in, including the Elizabeth Injury Center and the Accident Recovery Center, both Elizabeth; the Accident Therapy and Rehabilitation Center and the Amboy Injury Center, both Perth Amboy; the Prospect Spinal Trauma Center, Newark; the Plainfield Injury Center, Plainfield, and the Tall Pines Chiropractic and the Kamaya Medical Management Co., both Franklin.

Neafsey said officials began investigating Bandy's businesses in 1996 after they received an anonymous letter tipping them off.

Since then, with the cooperation of several insurance companies, the state has been able to document more than \$100,000 in bogus claims, Neafsey said. With the new records seized yesterday, Neafsey said, it is likely officials soon will be able to document more instances of fraud.

Part of the reason it took three years to arrest anyone is that Ventura left the country shortly after the investigating began and only recently returned, authorities said.

The three others attested yesterday are Jessica Montalvo and Jacqueline Vasquez, both 19, of Newark, each charged with staging an accident that resulted in \$10,000 in false claims, and Mohammed Attalla, 27, of Roselle Park, charged with staging an accident that resulted in \$1,000 in false claims.

The state has arrest warrants for six others who allegedly staged fake accidents but have not yet been

taken into custody. They are Fernando Sanchez, 24, Samuel Omega (aka Samuel Alvarez), 37, Natalio Arrey, 23, Martilla Enriques, 41, and Israel Guevara, 28, all of Elizabeth, and Jose Cepedes, 25, of North Bergen.

Officials said Sanchez and Ortega each submitted \$10,000 in false claims, Cepedes submitted \$3,000 in false claims, and the other three each submitted \$1,000 in false claims.



# State charges 12 in massive auto insurance probe

*Wednesday, July 14, 1999*

By RANDY DIAMOND

*Trenton Bureau*

In its first major action, the state's insurance fraud prosecutor on Tuesday charged 12 people, including the operator of eight chiropractic clinics, with participating in a massive fraud ring that staged auto accidents so the clinics could bill insurance companies for treating the phony victims.

Six of those who allegedly participated in the ring based in central New Jersey were still being sought Tuesday night, and a continuing investigation is examining whether others were part of the scheme, said Edward M. Neafsey, the prosecutor.

Authorities also seized billing records and other documents from the clinics. Neafsey said investigators are now examining the papers.

"This is only the beginning," he said. "We're going to pursue every avenue here."

The most serious charges -- racketeering and conspiracy to commit health care fraud -- were filed against Anhuar Bandy, 36, of New Brunswick, the operator of clinics in Middlesex, Union, Essex, and Somerset counties; and two "runners" he allegedly employed to solicit the accident "victims," Alejandro Ventura, 34, and Victor Almonte, 33, both of Elizabeth.

Each faces up to 20 years in prison, Neafsey said. The suspects were in the Union County Jail in Elizabeth Tuesday night awaiting arraignment. Bail was set at \$500,000 for Bandy, \$400,000 for Ventura, and \$100,000 for Almonte.

The nine others charged are accused of taking payments of several hundred dollars to participate in staged auto accidents' and then seek treatment at one of Bandy's chiropractic clinics. Insurance companies allegedly were then billed for the treatments.

One of the six people still being sought is a North Jersey resident. Josue Cepedes, 25, of North Bergen was charged with participating in a staged accident that resulted in approximately \$1,000 in false claims. Cepedes and the other supposed accident victims could face five to 10 years in prison, Neafsey said.

As part of the investigation, undercover state agents infiltrated the ring and took part in staged accidents, a first for a state insurance fraud operation, Neafsey said.

"The clinics were the top of the fraud chain," he said. "Accidents were being staged to bring money to the clinics."

Neafsey said his office would be looking into whether others benefitted from the scheme, such as the chiropractors in the clinics or personal injury lawyers who may have filed lawsuits on behalf of phony accident victims.

Just how much money the clinics received from the staged accidents is still being investigated, Neafsey said.

But one small auto insurer, The Parkway Insurance Co., filed a civil suit in 1997 against four of Bandy's clinics, charging that the clinics and associated ventures had engaged in fraudulent and unnecessary medical treatment totaling \$250,000 for several dozen of its policyholders. The suit is still pending.

Informed sources say several major auto insurers are preparing their own civil suits and will attempt to recover payments to the clinics that total tens of millions of dollars.

The fraud ring will be prosecuted under a new state health care claims law, which allows for criminal prosecutions for those who commit at least \$1,000 worth of insurance fraud. Previously, at least \$75,000 in fraudulent claims had to be submitted for the state to bring criminal charges.

The Whitman administration created the Office of the Insurance Fraud Prosecutor in late 1998, after facing criticism for the state's prior insurance fraud efforts, which concentrated on civil fines instead of jail for violators.

One case that was frequently cited was against two Bergen County chiropractors who received \$12 million in fraudulent auto insurance payments. They were fined just \$750,000 and had their licenses suspended for five years.

# STAR-LEDGER

September 30, 1999

## Ex-cop admits role in insurance fraud

by Guy Sterling

STAR-LEDGER STAFF

A former East Orange police officer yesterday admitted to participating in a massive auto insurance fraud by creating false or fictitious accident reports and funneling patients to chiropractors in exchange for thousands of dollars in kickbacks. Some of the patients submitted bogus insurance claims totaling nearly \$1 million.

The case against Phillip Major Jr., 32, marked the first time a police officer has been prosecuted in connection with a phony car accident scheme by the Office of Insurance Fraud Prosecutor, a branch of the Attorney General's Office set up as part of the state's effort to reform insurance coverage and crack down on aliases.

As many as 60 others could be charged in the scheme, based on the number of phony claims that have been uncovered so far, said the state's insurance fraud prosecutor, Edward Neafsey, who added he expects that some of the potential targets could be offered deals to avoid trials.

"His plea blows the lid off the ring," Neafsey said of Major.

During a hearing yesterday before Superior Court Judge Joseph A. Falcone in Newark, Major, a patrolman in East Orange from 1990 to 1997, said he began falsifying police reports in the mid-1990s when his barber in Newark asked him to write out a phony accident report he could use to get money from his insurance company to repair a damaged vehicle.

Major said he then started preparing additional phony reports, first for his barber's friends, so they could go to doctors and "get paid."

Under questioning by Deputy Attorney General Andrew Fried, Major implicated chiropractors Robert Matturro of Bloomfield and Paul Zablow of East Orange in the scheme.

Using his ready access to police records, he said he acted as a "runner" for the chiropractors. He both distributed their business cards at accident scenes and contacted others whose names he obtained from East Orange police records. He would be paid \$200 to \$300 in cash for each patient who was treated, and once got an envelope stuffed with between \$1,200 and \$1,500 from Zablow, he added.

In all, state authorities accused Major of writing 16 false and fictitious accident reports over a four-year period. Those reports were later submitted to close to a dozen insurance companies for 60 fraudulent insurance claims, mostly for personal injuries and property damage, prosecutors said.

Most of those submitting the bogus reports became patients of Zablow, and some later became patients of Metro Medical Services, a medical care provider in Irvington in which Major held a financial interest, prosecutors said.

Major said he got involved with Matturro when he was treated by the chiropractor for his own accident and showed up at Matturro's office one day in his police uniform. Matturro prodded him to provide him with patients, he told Falcone.

The charges included an allegation that Major wrote out a phony East Orange police report in 1996 to allow one of his partners in MMS-- Dr. Ruvim Krupkin-- to collect \$1,883 from State Farm Insurance Co. for damage to his vehicle for an accident that never occurred.

Investigators pegged the total amount of the fraud at more than \$900,000, almost evenly split between billings for phony injuries and bodily injury settlements.

A person who answered the telephone at Zablow's office yesterday said the doctor was in "conference" and was not available for comment.

A lawyer for Matturro, who's already under state indictment in a separate case that accuses him of being part of scheme to bribe an employee of the North Bergen Police Department to acquire computer records, said his client had no knowledge of the allegations leveled by Major.

"We don't put any credence in what Phil Major says," added Vincent Scoca, Matturro's attorney. "He's a dishonest cop looking to help himself and will drag down anyone else he can in the process."

Neafsey said the investigation was triggered by an anonymous letter about the falsification of police reports sent to the Attorney General's Office a couple of years ago. As the probe expanded, the office was able to win the cooperation of Major and another police officer, and even had one of its own investigators pose as a corrupt Irvington cop interested in selling accident reports.

As the inquiry intensified, Major resigned from the police force when he "began hearing footsteps," said Peter Gilbreth, the ex-officer's lawyer.

Gilbreth added his client offers no excuse for his illegal behavior and said his motivation for participating in the kickback scheme was simply a desire to stick some extra cash in his pocket. Major told Judge Falcone that he obtained up to \$75,000 in illicit payments.

## State vs Phillip Major

# BERGEN RECORD

September 30, 1999

## Ex-cop admits role in insurance scam Agrees to assist false-accident probe

By DAN KRAUT  
Staff Writer

A former East Orange police officer admitted Wednesday to writing accident reports for car crashes that never happened, and then named the doctors and a lawyer who he said abetted the insurance scam.

As part of his guilty plea in state Superior Court in Newark, Officer Phillip Major agreed to cooperate in the investigation into several professionals, including a disbarred lawyer who once practiced in Paterson, and a Bloomfield chiropractor already under indictment in a separate case.

Major, 32, of Maplewood, is facing a maximum of 10 years in prison for conspiracy and official misconduct, but "his ultimate sentence will be based on the extent of his cooperation," said state Insurance Fraud Prosecutor Edward M. Neafsey.

Neafsey said the professionals will be asked to cooperate into the probe of \$900,000 in questionable bills; if they decline to help, their conduct will be reviewed by a grand jury. About \$200,000 of the claims were paid by insurance companies, Neafsey said.

The investigation is also focusing on 60 people listed on 16 suspicious accident reports who allegedly received medical treatment for injuries they never suffered from crashes that never happened. Furthermore, the state is investigating the people who allegedly referred these "passengers" to doctors.

Major's conduct has been under suspicion since 1997, when the state Attorney General's Office received an anonymous tip about bogus police reports in East Orange.

About the same time, an investigator with the National Consumer Insurance Co. noticed that a series of suspicious accident reports were all filled out by Major, none bearing a supervisor's signature. When the investigator called the East Orange police, they said they had no record of the crashes. The insurer sued Major, and earlier this year, a judge in Hudson County, ordered him to pay \$360,000 in restitution and penalties.

The accusation to which Major pleaded guilty said that Mark Bender, who practiced law in Paterson before being disbarred, had a financial interest in an Essex County medical practice with Major and bribed another police officer for accident reports. That police officer was actually working under cover for the state, the accusation states.

Bender, 51, lost his law license after admitting in 1997 that he submitted a fraudulent claim for

his own 1989 car 'accident. His lawyer in that case, Kalman Geist, would not comment Wednesday.

Major also admitted taking about \$40,000 from Bloomfield chiropractor Robert Matturro for information from accident reports so that the chiropractor could recruit patients. Matturro was indicted in April in a separate case on charges that he bribed an employee of the North Bergen Police Department for accident reports.

Wednesday, Matturro's lawyer, Vincent Scoca of Bloomfield, said his client is innocent.

"Phillip Major is a corrupt cop who is involved with falsifying police reports and is an individual that is looking for away to get out of his own legal problems." Scoca Said. "This is the first time I am hearing of these allegations and they are unfounded."

The accusation also states that Major collected \$18,000 to \$36,000 from East Orange chiropractor Paul Zablow for information taken from accident reports.

A receptionist at Zablow's medical practice in East Orange said everyone had gone home for the evening as he abruptly hung up the telephone.

The accusation also-states that Dr. Ruvim Krupkin, a resident of Summit, and Bender solicited Major to write a bogus report that caused State Farm insurance Co to pay Krupkin \$1,833 for damage to his automobile.

A man answering the phone at Krupkin's home hung up before a reporter could ask any questions.

Record Staff Writer Leonor Ayala contributed to this article.

## Stake vs Phillip Major

# BERGEN RECORD

December 11, 1999

## Woman accused of filing false claim in bid to defraud insurer Allegedly gave vehicle to middleman

By KENNETH LOVETT, Staff Writer

A Bogota woman was indicted Friday by a state grand jury on charges she falsely claimed her car was stolen in order to collect on the insurance after giving the vehicle to a middleman who planned to resell it.

Francisca Ionescu, 47, of Crestview Place, is accused of conspiring with a person known only as "Mike" to get rid of the 1997 Honda Civic. On Jan. 30, weeks after Ionescu gave up the car, she falsely reported it stolen and filed an \$11,850 claim with her insurance company, the state Attorney General's Office said.

It was unclear Friday night whether Ionescu received money from the man who took her car and whether the insurance company paid the claim. Ionescu was charged in the indictment with third-degree conspiracy and theft by deception and third- and fourth-degree tampering with public records.

If convicted on all counts, Ionescu faces five years imprisonment in addition to up to \$55,000 in fines. She also faces the possibility of additional civil insurance fraud fines under the Insurance Fraud Prevention Act, authorities said.

### State vs Ionescu

# BERGEN RECORD

April 22, 1999

## 2 chiropractors face charges of insurance fraud

By DAN KRAUT  
Staff Writer

A pair of Hudson County chiropractors allegedly went through extraordinary means to find patients - and not because of concern for healing the sick.

Drs. Robert Matturro and Nicholas Rosanio allegedly bribed an employee of the North Bergen Police Department for accident reports so they could recruit patients who were in recent crashes.

The chiropractors, indicted Wednesday, were the first doctors charged by the state Insurance Fraud Prosecutor's Office since its inception last year after complaints that white-collar criminals were getting off too easy.

Also indicted were a woman who operates a physical therapy office above the chiropractors' Union City office and three "runners" -or agents for doctors and lawyers who recruit clients. Two of the runners are suspected of bribing an undercover Newark officer for accident information.

A female North Bergen police employee, identified only as a communications supervisor, was named as a conspirator but not indicted.

The chiropractors' indictment depicts "a schematic for an insurance fraud mill a doctor controlled, top to bottom scheme using a corrupted police employee . . . to snare chiropractic patients," said state Attorney General Peter Verniero in a statement.

Matturro, 38, lives in North Caldwell and also has an office in Bloomfield. His lawyer, Vincent Scoca of Bloomfield, called the charges "totally unfounded."

"There is no credible evidence against my client," Scoca said. "Dr. Matturro has an impeccable reputation in the community. He's maintained a chiropractic practice for 13 years without incident and is a hard-working gentleman and a good family man."

Rosanio, 30, of Rockaway, could not be reached for comment.

The indictments come amid a flurry of activity by insurance companies and law enforcement agencies fighting medical fraud. But while most fraud allegations in prior civil proceedings involved accusations that doctors were overbilling, or billing for unnecessary treatments, the Matturro case represents a different approach.

Insurance Fraud Prosecutor Edward M. Neafsey said cases involving questionable treatments often get bogged down in court disputes among differing medical experts.

In this case, Neafsey said, the state is alleging bribery, conspiracy, amid official misconduct



against the doctors. Each of those charges carries a maximum 10 years in prison and a \$150,000 fine.

According to the indictment, the doctors would give money to Annette Licea from the physical therapist's office, and Licea would deliver the cash to the police employee for accident reports.

Licea, 31, of North Bergen, could not be reached for comment

Of the three runners charged in other indictments, Neafsey said, at least two were "related" to the chiropractors' alleged scheme.

Neafsey said these runners were caught thanks to help from the Newark Police Department, where an officer reported the attempted bribes to a supervisor, an officer then accepted undercover payments in cooperation with state authorities, he said.

A North Bergen police sergeant declined comment Wednesday evening, referring questions to a spokesman who had left for the day.

North Jersey is known nationwide as a center of auto insurance fraud. In recent years, insurance companies have sued more than 3,000 people, most of them from Passaic County, for allegedly smashing cars on purpose and submitting bogus claims. About 100 have been charged criminally in that scheme in Passaic County, and a Passaic County grand jury is reviewing other allegations.

The state Insurance Fraud Prosecutor's Office has been active as well, filing fraud charges against an employee of a Passaic chiropractor's office in February and seizing the records of two East Orange chiropractors in March.

## State vs Matturo, et al

# STAR LEDGER

April 22, 1999

## 3 health professionals - indicted in bribe plot to drum up patients

By George Berkin

STAR-LEDGER STAFF

Three North Jersey health care providers were indicted yesterday in a scheme to illegally obtain police accident reports in order to find new patients, state authorities said.

Two chiropractors and the operator of a physical therapy business were accused of trying to bribe a member of the North Bergen police department to obtain the records, said Edward Neafsey, the state's insurance fraud prosecutor.

Charged in the scheme were Robert Matturro, 38, of North Caldwell, owner of Matturro Chiropractic in Bloomfield and West New York Chiropractic in Union City, and Nicholas Rosania, 30, of Rockaway, operator of Matturro's Union City office, the prosecutor said.

Also charged was Annette Licea, 31, of North Bergen, operator of a physical therapy business located above Matturro's Union City office.

All three are charged with conspiracy, computer theft, official misconduct and bribery in official matters, Neafsey said.

The defendants used the police accident reports to solicit new patients, but it was not immediately known how many additional patients were obtained as a result. Nor was it clear how much money was generated by those new patients, the prosecutor said.

The indictment, handed up by a state grand jury in Trenton, charges the three defendants worked out a scheme to have Licea bribe a North Bergen police dispatcher.

The police official, who was not identified and has not been charged, received several thousand dollars in bribes before he was discovered and began to cooperate with authorities, Neafsey said. The prosecutor said he believes the dispatcher is no longer working for the North Bergen police.

At least four bribes were delivered between March 1 and Sept. 24, 1997, to obtain the North Bergen department's computer-generated police reports, Neafsey said.

None of the defendants could be reached for comment last night. Calls to Matturro's offices in Bloomfield and Union City were not immediately returned.

In a related case, three Essex County residents working as "runners" - people who drum up busi-

ness for health-care providers were indicted yesterday in a similar scheme.

In separate incidents, each of the three are accused of trying to bribe a police officer to obtain accident reports from Newark police. The targeted officer was working undercover, however, and the three were charged with bribery, Neafsey said.

Cyrano Green, 39, of West Orange was charged with offering \$1,600 in bribes. Abigail Romero, 36, of Newark was charged with paying \$1,800 in bribes. James Lee Campbell, 48, of West Orange was charged with delivering \$1,200 in bribes, the prosecutor said.

The runners gave the information they obtained to various health care providers, Neafsey said. It was not clear who received the information or how much the runners were compensated in exchange.

"Running" is not illegal in New Jersey, although legislation is pending to outlaw the practice, Neafsey said.

State v. Robert Maturro, D.C. et al.

STAR-LEDGER

November 30, 1999

# Newark woman faces conspiracy charges

Associated Press

A Newark woman yesterday admitted bribing a police officer posing as corrupt so she could illegally obtain accident reports for use in soliciting patients from among drivers and passengers.

Abigail Romero admitted she acted as a "runner," a role that authorities say is often the first link in the chain of insurance fraud.

Runners find accident victims, including those who have no injuries for lawyers and doctors in return for a commission. Fraud occurs when the providers bill insurers for treatments that aren't needed or are never given, or lawyers sue for nonexistent injuries.

Romero paid \$1,800 from Sept. 21 to Oct. 9, 1988, to a Newark officer in return for about 75 accident reports, said state Insurance Fraud Prosecutor Edward M. Neafsey.

The officer was part of an undercover sting conducted by Neafsey's office and the Newark Police Department, he said.

"We're targeting everyone from health care providers to corrupt law enforcement personnel to the so-called 'runners' who bring a steady stream of patients to health care providers who are more concerned with the patient's insurance coverage than his medical condition," Neafsey said.

Romero, 38, pleaded guilty to conspiracy and bribery. She faces three to five years in prison and up to \$30,000 in fines when sentenced Jan. 14 by state Superior Court Judge Harold Fullilove.

She is cooperating with authorities, so Neafsey declined to identify for whom she was running.

Police reports are public, but are not easily obtained by people not involved in the accident, he said.

State vs Abigail Romero

# Attorney admits role in scam

*Thursday, August 12, 1999*

By CHRISTOPHER MUMMA Staff Writer

A Middlesex County lawyer has admitted involvement in a mortgage scam in which two Saddle River homes were sold three times on the same day in 1996, authorities said Wednesday.

The lawyer, Salvatore DeLello Jr. of Piscataway, faces possible disbarment after his guilty plea in Superior Court in Hackensack on charges that include commercial bribery and forgery.

DeLello admitted receiving \$1,000 for his role in creating a fictitious buyer of the two properties, at 73 and 77 East Saddle River Road. That "buyer," Joseph Georges, bought the two homes for \$4.9 million on Jan. 26, 1996 -- a purchase price that was nearly twice what had been paid by the seller, Castle Rock Real Estate, on the same day, authorities said.

"Georges" then turned around on the same day and sold the properties back to Castle Rock for \$3.3 million, said Edward Neafsey, a state Deputy Attorney General.

The intent of the scheme, Neafsey said, was to sell the original mortgage note back to the bank for the inflated value of the homes, and then pocket the difference.

Neafsey said Castle Rock was a partnership controlled by Paul LoPapa, a Saddle River man arrested a year ago and charged with mortgage fraud, bribery, and falsifying records in connection with the scheme.

Acting on a tip, state police officers arrested LoPapa in June 1998. He has been in the Bergen County Jail since his arrest, unable to post his \$500,000 bail.

LoPapa, 52, was described on Wednesday by Neafsey as a "scam artist." He is facing more serious, second-degree charges.

The case against DeLello, 41, arose from the investigation of LoPapa, Neafsey said. DeLello pleaded guilty to fourth-degree crimes and will likely receive probation for his role in notarizing documents, signing deeds, and attesting to the validity of the transactions, Neafsey said. DeLello has agreed to cooperate with authorities in their case against LoPapa, he said.

DeLello will be sentenced by Superior Court Judge William C. Meehan on Oct. 3. DeLello's case will then be forwarded to the state Board of Attorney Ethics, which can make a recommendation to the state Supreme Court for possible disbarment, Neafsey said.

## Ex-nursing chief gets 5 years

### Sparta woman stole from St. Clare's

BY Peggy Wright  
Daily Record

A former nursing director at St. Clares Hospital/Dover who embezzled \$97,4000 to support a passion for piloting and vacations to Florida and Alaska was sentenced yesterday to five years in state prison.

Sparta resident Susan Malady, 50, was supposed to repay by yesterday at least half of the money she stole from the hospital between Dec 20 1994 to Sept 3 1996, but her attorney blamed the hospital officials for this plans failure.

Defense lawyer George Daggett said Malady- who did not speak at her sentencing- tried to remortgage her home to make restitution but could not because the hospital had secured a court judgement for the \$97,400 that put a lein on the property.

She pleaded guilty on May 26 the theft by deception, forgery and falsifying records and promised to repay half the money by sentencing time and the other half by the end of 2000.

When Superior Court Judge Lewis Weinstein in Morristown asked why Malady did not sell one or both Cessna planes she owns, Daggett noted that a student pilot crashed one of the crafts in Andover Township in July and that Malady has been unable to find a buyer for the second plane. The wrecked Cessna 210 was not insured, Daggett said.

Still, the hospital has both a civil judgement and orders from Weinstein to Malady that the money be repaid. Since being fired from her \$90,000 position at St. Clares in September 1996, Malady has been a nursing director earning \$110,000 a year at a hospital in Brooklyn that Daagett refused to identify.

"The Susan Malady of 1994 to 1996 is not the true Susan Malady. She has continued to work and continues to be a good nurse. She has not lost her ability to care for people" Daggett said.

She is not permitted to practice nursing in New Jersey because of her conviction.

Besides imposing a five year term-under which Malady will be eligible for parole after serving about one year-the judge ordered her to pay a \$5,000 fine to the state and about \$375 in other penalties.

Deputy state Attorney General Lee Barry, who prosecuted the case, said he would not object if Malady applied for early parole under the state's intensive supervision program.

Barry said the nurse took pleasure trips to Alaska, Disney World, Georgia, and Myrtle Beach, and bought a second plane and repaid credit card debts with the pilfered funds.

She contended that the stolen money went to help an ill cousin, an assertion that Barry rejected.

The judge called her thefts "creative accounting" saying he could not accept that she used money she earned for purchases and trips but then stole to help the relative.

Star Ledger

November 6, 1999

## **Top nurse sentenced for swindling hospital**

MORRISTOWN: The former nursing director of Saint Clare's Hospital in Dover was sentenced to five years in prison yesterday for bilking the medical institution out of \$97,400.

Susan Maladay, of Sparta, was also ordered to repay the money prosecutors say she stole by falsifying expense account vouchers. In May, just after her trial began, Malady pleaded guilty to theft, forgery and falsifying records.

Her attorney, George Daggett, said Malady never disputed her deception but that much of the money she took went toward helping a terminally ill cousin. Malady shook her head as state Deputy Attorney General Lee Barry disputed Daggett's characterization of the defendant and where the money went, noting she hasn't done much good for the Dover hospital.

"The money was spent on extravagance," Barry said, noting the vacations to various states and purchase of a Cessna airplane were financed by the fake vouchers. "We didn't see the money spent for some ill relative. The defendant deserves to be punished."

Superior Court Judge Lewis Weinstein agreed with Barry. He called Malady's explanation that she used her \$90,000-a-year salary to support her spending habits and the money obtained illegally for her sick relative "creative accounting."

The judge noted Malady had been earning \$110,000 in her new job; which she had since leaving Saint Clare's.

Officials at Woodhull Medical Center in Brooklyn acknowledged Malady was their nursing director but said they were unaware of her legal troubles in New Jersey until yesterday. Then they terminated her, said hospital spokesman Steven Bohlen.

## **State vs. Susan Malady**

# The New York Times METRO

January 8, 1999

## *Doctor Is Sentenced To Prison for Fraud*

MOUNT HOLLY -A Bordentown physician who pleaded guilty in November to faking paralysis in order to cheat four insurance companies out of claim payments was sentenced yesterday to five years in prison and ordered to pay fines and restitution of \$136,000, state officials said.

The doctor, Jayen C. Shah, has been in state custody since Nov. 25, 1997. He was arrested in his wheelchair at a Holiday Inn in Phillipsburg on charges that he cheated the insurance companies by lying that his legs had been paralyzed after a bus accident in India in 1993, according to a statement issued by the State Division of Criminal Justice.

The statement said investigators saw Mr. Shah drive a minivan to a fast-food restaurant, don a wig and sunglasses, enter the restaurant, then return to his vehicle with a bag filled with food. Even six months after his arrest, Mr. Shah continued to use the wheelchair while he was being held in the Burlington County Jail, the statement said.

The New Jersey Board of Medical Examiners revoked Mr. Shah's medical license in January 1996, several months before the State Attorney General's office indicted him.

State vs. Jayen C. Shah, M.D.



# Man sentenced for selling phony insurance cards

08/24/99

By Michaelangelo Conte  
STAFF WRITER  
The Start Ledger

An unlicensed insurance broker was sentenced to a 364-day jail term and probation after pleading guilty to selling bogus automobile insurance cards despite a judge's order to stop, authorities said yesterday.

Immediately after his sentencing Friday, Hani Elias, 53, of Fairfield began serving his jail term in the Union County Jail in Elizabeth. He also was sentenced to five years' probation after his release.

In addition, he was ordered to pay \$1,500 restitution to the individual to whom he sold a phony insurance card.

Elias pleaded guilty to one count of theft by deception for selling a phony proof-of-insurance card. He also pleaded guilty to a single count of criminal contempt for ignoring a Superior Court judge's order issued in August 1998 to stop selling insurance cards or having any other involvement with insurance-related activities.

"This prosecution and sentencing sends a significant message," said state Insurance Fraud Prosecutor Edward M. Neafsey. "Judge Edwin R. Alley was not required to sentence Elias to jail time, but in view of his persistent civil infractions, we are very pleased that he did.

"Automobile insurance fraud affects almost every citizen by enabling people to drive without insurance. These crimes ultimately shift the cost of injuries caused by uninsured motorists to the general public."

Elias lost his insurance license in 1992 when a regulatory body found he had accepted premiums and not provided insurance. However, he continued to write policies using other licensed insurance brokers as fronts, according to a default court judgment.

In 1998, the state won a \$1.1 million judgment against Elias for continuing to sell phony insurance cards even though his license had been suspended. Elias also was ordered to pay \$27,000 in restitution and the judge issued an order forbidding him from selling insurance.

It was only a few months later that Elias sold a phony insurance card to an undercover agent and then to a private citizen.

# STAR-LEDGER

June 29, 1999

## Former movie theater owner admits role in insurance fraud

by MaryAnn Spoto  
Star Ledger Staff Writer

A former Union Township man yesterday admitted trying to take out two insurance policies on his business after it was destroyed in a fire five years ago.

Jack Chesner, 67, of Morris Township, tried to collect on the first policy before agents for Merchants Insurance Group learned that the Ramapo Cinema in Wayne was a casualty of an explosion at the Ramapo Plaza Mall on Jan. 28, 1994, said Assistant Attorney General Edward Neafsey, the state's insurance fraud prosecutor.

Immediately after the explosion, Chesner made application to Merchants Insurance Group and said that his business was worth \$100,000 when he knew it had no value because it was destroyed, Neafsey said.

Chesner backdated a check to Jan. 25 to Merchants as a binder, an initial down payment, allowing the insurance company to conduct a complete review before issuing a policy, he said.

Then Chesner tried to collect insurance on the loss, but company officials became suspicious at the immediate claim and workers there recalled Chesner "calling around almost in a desperate attempt to get insurance," Neafsey said.

At the same time, he applied to Scottsdale Insurance Co. on the day of the explosion with the same type of false information on the value of the business and giving a backdated check as a binder, he said.

He pleaded guilty to two counts of attempted theft by deception before Superior Court Judge John Triarsi in Elizabeth.

Chesner operates adult entertainment businesses - throughout New Jersey and another company in which he has ownership interest, Do-Wop Corp., operates Razz'l Dazz'l Fantasy Runway, a nude juice bar which Rahway officials are trying to permanently close.

On June 15, Chesner pleaded guilty to federal charges of failing to report money he received from others to invest in proposed adult entertainment businesses and to destroying and concealing business records sought by the Internal Revenue Service relating to an adult book store in Union Township.

He is scheduled for sentencing on those charges on Sept. 13, and faces 10 to 16 months in prison.

Chesner is scheduled for sentencing on the state charges on Sept. 24; the state is expected to recommend a four year prison term.

Neafsey said the state and federal prison terms would run concurrent, but when Chesner finishes his federal sentence, the state parole board will determine how much longer he will remain behind bars on the insurance fraud.

Chesner's attorney, Peter Willis of Jersey City, could not be reached for comment yesterday.

Neafsey said the Ramapo Cinema was not in operation long before the explosion occurred, but Chesner did not seek insurance in order to reduce expenses.

"Number one, he wanted to save money. And number 2, he wanted to make sure he wasn't in a position where he had to take a total loss," Neafsey said. "He wanted to make sure he wasn't out any money because he had failed to procure insurance."

An investigation determined the explosion was caused by a gas line eruption, not arson, he said. Authorities did not know the value of the business before the fire.

## State vs Jack Chesner

# STAR-LEDGER

December 8, 1999

## Theater owner gets 4-year prison sentence for insurance fraud

By MaryAnn Spoto

STAR-LEDGER STAFF

A 67-year-old Morris Plains man was sentenced to four years in state prison yesterday for trying to take out insurance policies on a theater he owned in Wayne after it had been destroyed by an explosion.

Jack Chesner, owner of the Ramapo Theater, will not have to surrender to authorities until he is sentenced on federal charges of failing to report investment funds and destroying or concealing business records sought by the Internal Revenue Service.

The federal sentencing date is set for Feb. 4, although it could be postponed because of Chesner's health problems, said his attorney, Marc Leibman of Jersey City.

Although Chesner, formerly of Union Township, has been charged with white-collar crimes in the past, this will be his first prison term.

He has been arrested nine times over the years, but many of the alleged offenses were dismissed. He was fined for passing a bad check in 1980 and was admitted to the pretrial intervention program in 1985 for insurance fraud. In that program, a defendant must complete a course of treatment or counseling as an alternative to prison.

And in June, Chesner admitted failing to report money he received from others to invest in proposed adult entertainment businesses and to destroying and concealing business records sought by the IRS. For those federal charges, he is expected to be sentenced to at least 10 months in a federal penitentiary, where he also would be working off his time on the state crimes, said Deputy Attorney General Lewis Korngut, who handled yesterday's case for the state.

Chesner's four-year state sentence, imposed by Superior Court Judge John Triarsi in Elizabeth, means he will have to serve nine months and 26 days before becoming eligible for parole on the state charges. If the federal sentence is for less time than that, Chesner would have to serve that first and then be transferred to a state prison to finish the remainder of the state term.

Leibman said his client, who used a walker because of recent surgery on his leg, accepted the plea offer because the two cases were brought against him at the same time.

"Jack had very valid defenses in this case," Leibman said after court. He said his client's insurance on the building had lapsed; and Chesner believed he was paying for the insurance before it actually expired.

Chesner, who owns several adult entertainment businesses, applied to Merchants Insurance Group for coverage of the Ramapo Theater immediately after an explosion destroyed the building on Jan. 28, 1994, and tried to collect on that policy.

## State vs Jack Chesner

# BERGEN RECORD

December 8, 1999

## Adult-theater owner sentence in insurance scam Gets 4 years for submitting inflated claims on Wayne fire

By DAN KRAUT  
Staff Writer

The owner of a defunct adult theater in Wayne was sentenced Tuesday to four years in prison for trying to scam two insurance companies after his business burned down.

The sentencing came five months after Jack Chesner admitted submitting claims to two insurers in 1994 in which he said the Ramapo Theater was worth more than \$100,000, even though he knew it to be worth less.

Chesner's scheme unraveled when investigators found the insurance policies were not purchased until hours after the fire at the Ramapo Plaza Mall at Valley Road and Hamburg Turnpike, authorities said. He tried to cover his tracks by submitting premium checks dated before the fire.

Chesner, a retail and entertainment consultant who lives in Union, was indicted in January on charges that could have led to a maximum of 10 years in prison. Under a deal reached in the summer, however, authorities agreed he would be sentenced to between three and five years in exchange for a guilty plea, said Edward M. Neafsey, state insurance fraud prosecutor.

Because Chesner never collected any money in connection with the scheme, he was charged with attempted theft by deception.

Chesner, who was 67 when he pleaded guilty this summer, asked for a reduced sentence Tuesday because of poor health. Superior Court Judge John Triarsi, who presided over the case in Elizabeth, rejected the request, Neafsey said. The judge also imposed a \$2,000 fine.

The fire was never fully explained. Officials initially suspected that a natural-gas leak at the Plaza set the stage for an explosion and subsequent blaze. But the structure was demolished before the investigation was completed, Neafsey said, leaving questions unanswered. Prosecutors do not suspect arson.

Chesner has also pleaded guilty in federal court to filing false tax returns and to obstructing an Internal Revenue Service investigation. He is scheduled to be sentenced for those crimes in February and remains free on bail until then, Neafsey said.

Chesner will begin his prison time after federal sentencing and will ultimately serve the longer of the two sentences.

Attempts to reach Chesner or his lawyer Tuesday evening were unsuccessful.

Chesner made news in 1994 during an unsuccessful bid to open an adult shop in Rochelle Park.

### State vs Jack Chesner

# BERGEN RECORD

May 8, 1999

## Funeral home director accused of filing, bogus insurance claims

By THOMAS ZAMBITO  
Staff Writer

State authorities say the director of a Hackensack funeral home saw an opportunity in the families who called his Passaic Street Business to make arrangements for a loved one who was about to die.

Working with several members of his own family and a Louisiana life insurance agent, William Conyers tried to steal \$325,000 from two insurance companies by filing bogus claims for people with terminal illness, said authorities from the state Attorney General's Office Insurance Fraud Unit.

"The integrity of the insurance application process is often dependent on the trustworthiness of the insurance agent," Prosecutor Edward Neafsey said Friday in announcing the indictments of Conyers, 55; his daughters Stephanie, 34, of Englewood and Cynthia, 33 of Hackensack, a cousin, Roy Conyers, 69, of Manhattan; and longtime friend L.C. Thomas, 48, a life insurance agent in Baker, La.

"The charges outlined in this indictment are particularly unsettling," Neafsey said.

None of those indicted Friday could be reached for comment.

Neafsey said the alleged scheme worked like this:

"When families called to make arrangements for a loved one with a terminal illness, Conyers would contact Thomas in Louisiana.

Thomas would file a life insurance policy in the sick person's name, claiming as a beneficiary one of his two daughters or his cousin. The claim said they were related to the soon to be departed.

The claim would not mention that the person had a terminal illness which would typically cause a company to deny a claim.

It wasn't until an alert insurance company worker in Baton-Rouge, La. questioned the cause of death for one Bergen County man that the scheme began to unravel.

When the company, American National Insurance Company of Galveston, Texas; received the death certificate from a hospital, it showed that the person had an unspecified terminal illness.

The discovery led the company to question other claims Thomas had made. Investigators from the New Jersey Attorney General's Office Insurance Fraud Unit were notified in 1996 and began their own inquiry.

Four life insurance claims were made, but only one was paid. Neafsey said Cynthia Conyers was

issued \$25,000. The other claims were denied. Three of the people whose names were used on the claims have died. A fourth is alive and is expected to testify if there is a trial, Neafsey said.

None of the families were aware that claims had been filed in their loved ones' names.

The 16-count indictment accuses Conyers and the others of theft by deception, forgery, falsifying records, and attempted theft by deception. They each face up to 10 years in prison.

Neafsey said this is the first such case he has encountered involving a funeral home director, but he said similar schemes using the names of dying people have cropped up in other states.

# THE TIMES

August 10, 1999

## Insurance fraud alleged at office in Princeton

By Lisa Coryell  
Staff Writer

**TRENTON** - A former claims adjuster for an insurance firm in Princeton Borough has been indicted on fraud charges for bilking her company out of \$8,000, state officials announced yesterday.

Charlene Vaughan, 40, of North Brunswick, was charged with one count of theft by deception and three counts of forgery.

Vaughan, a former workers' compensation employee for GRE Insurance Group of Princeton, is accused of defrauding her employer by having payments made to an outside consultant for fictitious services.

The indictment alleges that between July 1996 and April 1998, in the course of her work, Vaughan requested checks be paid to a consultant for reviewing workers' compensation files. In 42 instances the consultant performed no services but Vaughan obtained the checks, forged the consultant's signature and cashed the checks, according to the indictment.

"My office will not tolerate those who betray the trust of the insurance-buying public. Anyone who is charged with engaging in fraud will be held to the highest standards of the law," said Attorney General John J. Farmer Jr. in a written statement.

Edward M. Neafsey, an insurance fraud investigator, said, "State law requires employers to provide workers compensation insurance to protect citizens who got to work every day. Claims adjusters who steal those insurance dollars create a serious harm to the working public."

Neafsey said the workers' compensation reviews were supposedly performed by Shirley Honey, who operated a consulting business known as Whitnee Associates of Parsippany, Morris County. When GRE became aware it had purportedly paid Whitnee Associates more than \$6,000 in excess of the amount it should have, GRE referred the case to the Office of Insurance Fraud Prosecutor through the National Insurance Crime Bureau.

The indictment was handed up in Mercer County. If convicted on all counts, Vaughan faces up to five years in prison and fines of up to \$7,500.

## State vs Charlene Vaughan



April 8, 1999

## Three family members charged with theft

By Fredrick Kunkle  
STAR-LEDGER STAFF

Three Family members of a former insurance company employee were charged yesterday with participating in a conspiracy to defraud the health insurer of nearly \$100,000.

Sharon DaCosta-Barrett, a former claims adjuster for Blue Cross/ Blue Shield, issued 15 fraudulent checks worth \$97,687 to her husband in Orange and to her sister and brother-in-law in Florida, according to the Attorney General's office. The checks, which were issued between April 1996 and May 1997, paid out claims on insurance policies that had lapsed.

The state grand jury handed up indictments in Mercer County yesterday against Clive A. Barrett, of Parrow Street, and Sharmaine and Edwin Wilson, of Miami. Barrett, 33, received seven checks worth \$45,865. The Wilsons received \$51,821 from eight checks made out to "Wilson" or "S. Wilson."

All three face charges of conspiracy and theft by unlawful taking. The crimes carry penalties of three to five years in prison and fines of up to \$7,500.

Efforts to reach the defendants were unsuccessful.

The state grand jury named DaCosta-Barrett as a conspirator, but did not charge her as a defendant, DaCosta-Barrett pleaded guilty last month to conspiracy, theft by deception and falsifying records. She faces five to 10 years at sentencing, which is scheduled for May 7.

Blue Cross/Blue Shield uncovered the fraud during a random audit and referred the matter to the Division of Criminal Justice, authorities said.

**State v. Sharon DeCosta-Barrett, et al.**

# Bureau of National Affairs, Inc.

## Private Sector News

### Insurance

#### Former Insurance Claims Processor Sentenced to Four Years Prison for Fraud

PHILADELPHIA-A former insurance claims processor for Blue Cross Blue Shield of New Jersey was sentenced Sept. 10 to -four years in state prison for setting up and paying fraudulent health insurance claims totaling \$97,688 (*New Jersey v. Dacosta-Barrett*, N.J. Super. Ct., Indictment No. 98-04-00004-S, *sentencing 9/10/99*).

Sharon Dacosta-Barrett was sentenced by New Jersey Superior Court Judge Michael R. Casale after pleading guilty earlier this year to conspiracy, theft by deception, and falsifying records (3 HFRA 197, 3/10/99), New Jersey Insurance Fraud Prosecutor Edward M. Neafsey said in a statement.

A random audit of the defendant's files by Blue Cross Blue Shield revealed the theft, according to Neafsey. After creating nonexistent health care claims and fostering the false impression that payment was due on the claims, Dacosta-Barrett sent 15 health insurance claim checks ranging in amount from \$4,200 to \$12,000 to three family members in New Jersey and Florida, Neafsey said.

A state grand jury indicted Dacosta-Barrett's husband, sister, and brother-in-law in April on charges of third-degree conspiracy and third-degree theft, which are still pending, Neafsey said.

### State vs. Sharon DaCosta-Barrett

## READER FORUM

### Auto reform miracle

Thanks to auto reforms, New Jersey consumers are saving money - \$750 million in auto insurance rate reductions and counting. Many are saving a whole lot more than the promised 15 percent. Conversely, the criminals and scam artists are worried.

As a result of reform, consumers are paying less, there's an aggressive attack on insurance fraud and competition provides incentives for consumers to shop for better rates.

The passage of auto insurance reform was no less than miraculous. Divergent interests agreed on sweeping changes, putting consumers first. For years, special interests abused loopholes for self-enrichment at tremendous cost to consumers, leaving motorists understandably skeptical of promises of reform.

Today, promises made are being delivered. However, the fight to improve the system continues. The courts must uphold legislative directives and eliminate suits for non-serious and non-permanent injuries. Insurers must keep working with the fraud prosecutor.

All involved - especially medical providers, lawyers and insurers - must implement reform to maximize consumer benefits.

Edward T. Collins, Bridgewater

*The writer is counsel to the Allstate New Jersey Insurance Co.*

# Ambulance-chasing now a criminal offense

*Thursday, July 15, 1999*

By RANDY DIAMOND

*Trenton Bureau*

In the state's latest attack on insurance fraud, Governor Whitman has signed a bill that makes it a crime for lawyers or medical professionals to hire so-called ambulance chasers or runners to solicit business from car crash victims.

"The days of pursuing accident victims as if they hold the pot of gold at the end of the rainbow are over," said Ed Neafsey, the state's insurance fraud prosecutor.

The legislation makes it a third-degree crime to hire a runner to solicit accident victims, with a maximum punishment of five years in prison. Runners can also be prosecuted under the statute.

The new law is part of a concerted effort to battle insurance fraud. Whitman appointed Neafsey in late 1998 amid criticism that the state's efforts until then -- which focused on civil penalties -- were insufficient.

Until Wednesday, it was neither a crime to be a runner, nor was it a criminal offense for attorneys or medical professionals to use their services. However, it was a violation of ethical guidelines for attorneys and of rules set by state medical boards.

On Tuesday, Neafsey's office charged 12 people, including two runners and the operator of eight chiropractic clinics, with participating in a massive fraud ring that staged auto accidents so the clinics could bill insurance companies for treating phony victims. Neafsey said the runners would solicit people to participate in the staged accidents.

Because the alleged actions predated the bill's signing, prosecutors will be unable to charge them under the statute.

But Neafsey said the runners' participation in the phony accident scheme enabled the state to charge them with racketeering and conspiracy to commit health care fraud.

# **State ads to attack auto-insurance fraud Two fictional characters in a \$1.2 million campaign were introduced as part of a comprehensive - crackdown.**

**By Thomas Ginsberg  
INQUIRER TRENTON BUREAU**

**TRENTON** - Call them the \$1.2 million couple: Richard is rich and suave, Susan is clever and blond. Together, the fictional TV characters are becoming the final elements in New Jersey's campaign against car insurance fraud.

The pair were introduced to reporters yesterday as lead characters in the Whitman administration's new statewide media campaign against fraud, complete with a hotline and a motto ("New Jersey's Fed Up").

In one commercial, the woman is shown dancing and laughing with friends at a nightclub while the narrator says: "Susan says she has whiplash. But she's really living it up with her insurance claim."

The other commercial shows a sinister-looking yuppie sitting in front of a mansion while the narrator says: "Richard has built a successful business -of filing false insurance claims."

Whether the state's new virtual-employees - part of a comprehensive crackdown created at the insistence of insurers - will bring results is yet to be seen in an insurance market already undergoing drastic change.

Insurers have run ads in the past about the system, and lawyers from the Association of Trial Lawyers of America are running a media campaign urging people to reexamine their coverage.

Conceived by Grafica, a Morris County marketing firm, the state's ad campaign - like much of New Jersey's stubborn car-insurance issue hinges on pitting people against each other to save money.

"We wanted to tap into people's concerns, into their disgust with the fact that [other] people are picking their pockets," said Edward M. Neafsey, the insurance fraud prosecutor who was appointed to the job a year ago as part of an overhaul of the auto-insurance system.

Supplementing a year of investigations that already have resulted in the break-up of several fraud rings, Neafsey said, the commercials - to appear on 36 cable channels, eight radio stations and 300 buses - will send a message of "deterrence" in English and Spanish.

"This is meant to bring somebody else into the process - that is the citizens of New Jersey," First Assistant Attorney General Paul Zoubek said.

When the insurance reform was signed in 1998, fraud was estimated to account for roughly 10 percent of the state's average auto-insurance premium, which the year before was \$1,099, the country's highest.

Several antifraud operations were consolidated into the Office of the Insurance Fraud Prosecutor under Neafsey. With more than 200 employees and 30 deputy attorneys general, the office says it has already earned a national reputation for prosecutions.

Laws have been enacted to bar the "runners" who find accident victims, and at least two major rings were broken up in North Jersey. Some now under investigation are "very sophisticated," involving the whole process from staging accidents to filing claims to cashing payout checks, Neafsey said.

"There's no way that you can get around the need for work on the street," he said about investigators and tipsters. "We see this [ad campaign] as an extra area of opportunity."

But it is no panacea. According to Neafsey, an eight-month blitz for the fraud hotline last year netted about 700 calls - and only about 40 percent of those could be used in investigations. The rest of the callers were looking for premium information or had other questions.

Nevertheless, John K. Tiene, an adviser to the campaign from the state's leading trade group, the Insurance Council of New Jersey, hailed the ads as the final element in the antifraud battle.

"Now there's no excuse for an unsuccessful [antifraud] campaign," Tiene said, asserting that would-be cheaters already were getting the message. "These are professional law enforcement folks focusing on convictions, not paperwork."

Still, Tiene estimated it would take two more years for insurers to see whether savings from the crackdown were enough to justify the mandatory 15-percent average premium reduction ordered last March.

Maybe Richard and Susan will be in jail by then. Neafsey said state officials decided to launch the ad campaign on the public's visceral anger over insurance cheats, then later possibly adopt a tactic used by Pennsylvania of showing the scofflaws sitting in jail.

"I wouldn't be surprised down the road," he said, "if the ads were geared toward showing what criminal activity can result in."

# Woman admits she bribed police officer for accident reports

*Tuesday, November 30, 1999*

*The Associated Press*

NEWARK -- A woman on Monday admitted bribing a police officer posing as a corrupt cop so she could illegally obtain accident reports for use in soliciting patients from among drivers and passengers.

Abigail Romero of Newark admitted she acted as a "runner," a role that authorities say is often the first link in the chain of insurance fraud.

Runners find accident victims, including those who have no injuries, for lawyers and doctors in return for a commission. Fraud occurs when the providers bill insurers for treatments that aren't needed or are never given, or lawyers sue for nonexistent injuries.

Romero paid \$1,800 from Sept. 21 to Oct. 9, 1998, to a Newark officer in return for about 75 accident reports, said state Insurance Fraud Prosecutor Edward M. Neafsey.

The officer was part of an undercover sting conducted by Neafsey's office and the Newark Police Department, he said.

"We're targeting everyone from health care providers to corrupt law enforcement personnel to the so-called runners who bring a steady stream of patients to health care providers who are more concerned with the patient's insurance coverage than his medical condition," Neafsey said.

Romero, 36, pleaded guilty to conspiracy and bribery. She faces three to five years in prison and up to \$30,000 in fines when she is sentenced Jan. 14 by state Superior Court Judge Harold Fullilove.

She is cooperating with authorities, so Neafsey declined to identify for whom she was running.

Police reports are public, but are not easily obtained by people not involved in the accident, he said.

# HOME NEWS TRIBUNE

July 19, 1999

## NJ chipping away at insurance fraud

*Policyholders paying for others' fraud*

Considering the state's Office of Insurance Fraud, Prosecutor only has been up and running since October, the speed with which *it* investigated and pressed charges with its first health-care fraud case is remarkable. It's a strong sign to policyholders this office means business.

Anhwar Bandy, 36, of New Brunswick faces charges of running a ring that staged automobile accidents and stole at least \$100,000 by filing false medical claims. He and his alleged "runners," Victor "Bacana" Almonte, 33, and AleJandro "Alex" Venture, 34, both of Elizabeth, are expected to be arraigned this week in Superior Court in Union County.

A group of insurance companies, including Prudential Insurance Co, State Farm, Liberty Mutual and Allstate, also is expected to file civil charges in the case.

"This is just the tip of the iceberg," says John Tiene, spokesman for the Insurance Council of New Jersey.

To be sure, fraud is a minor contributor to New Jersey's high auto-insurance rates. The main reasons for rates are New Jersey is the most densely populated state, with congested roads and high accident rates. No reforms can change that.

But the creation of the insurance-fraud office and the criminalization of insurance fraud in New Jersey certainly will help.

And neither would have happened without the efforts of former state Attorney General Peter Verniero. Under a bill passed last year, the direct result of Verniero's recommendation and lobbying, physicians, chiropractors and other health-care professionals can lose their licenses if convicted of insurance fraud. The law automatically revokes the licenses and makes healthcare claims fraud a second-degree criminal offense.

Just last week, Gov. Christie Whitman signed into law a bill that makes it a third-degree crime for people to act as fraud-ring runners, or to solicit or employ runners.

The Office of Insurance Fraud Prosecutor is run by Edward Neafsey, a former assistant attorney general in charge of the environmental unit, who set it up with Paul Zoubok, first assistant attorney general and also director of the division of criminal justice.



“They built the office and did it in very swift time,” says Tiene. “It's extremely efficient, extremely professional. Over time, they're track record is going to be phenomenal. New Jersey now is doing all the right things to combat fraud.”

Better still, taxpayers aren't footing the bill for the office. It's paid for through assessments charged to the state's auto insurers.

Sunday, January 02, 2000

## Insurance fraud crackdown nets record results for N.J.

By ROBERT STERN

Times Trenton Bureau

TRENTON - Blood money helped a North Jersey man and his pals bilk more than \$5 million from the Medicaid program.

Falsified billing documents netted a Paulsboro woman more than \$24,000 from Medicaid.

Fictitious slip-and-fall claims got a Vineland man about \$9,500 from nine insurance companies duped by his scam.

But in each of these three unrelated cases and more than 50 others like them, the con artist's game ended in 1999 as New Jersey cracked down on insurance fraud.

More than 50 years in prison sentences for insurance fraud were imposed in 1999 statewide.

In fact, the 54 years and nine months in prison sentences handed out for insurance fraud is a one-year record for New Jersey, said state Insurance-Fraud Prosecutor Edward M. Neafsey.

It represents a five-fold increase from the average total prison sentences imposed in New Jersey in any one year for insurance fraud, said Neafsey, whose office is part of the state Division of Criminal Justice.

"Historically, the division's fraud unit has averaged 10 years of jail time a year. There's been a substantial increase from that average," Neafsey said.

The emphasis on more vigorous criminal prosecution and stiffer penalties stems from the state's 1998 automobile insurance reform and is meant to curb all forms of insurance fraud.

By targeting both thousand-dollar and million-dollar fraud cases, the state is sending a message that insurance fraud is criminal on any scale.

"If you treat these cases as criminal cases, you will deter this kind of crime through two things: One is conviction, and in addition to that, where appropriate, jail sentences should be imposed," Neafsey said.

The harshest punishment Neafsey's unit won in 1999 sent Mohammad Javid to 10 years in state prison and ordered him to pay \$1.09 million in restitution. Javid, a former manager of United Clinical Laboratory in Manalapan, admitted taking part in a scam that relied on drug addicts' blood to bilk more than \$5 million from Medicaid.

Javid would recruit people off the street and submit Medicaid forms saying these people needed

blood tests," Neafsey said.

As part of the scam, drug addicts were paid for their blood, which was used to falsify Medicaid claims.

Javid admitted paying more than \$1 million in kickbacks to the operators of walk-in medical clinics in Newark, Irvington, Paterson and Jersey City in exchange for blood samples.

The clinics' operators were also indicted for taking part in the fraud plot.

Physicians at the clinics would write multiple prescriptions for drug addicts, who would then sell the drugs for a profit.

The clinic operators then billed Medicaid for the drugs and submitted blood samples to Javid's laboratory for unnecessary tests for which Javid also billed Medicaid.

Javid's blood-money scheme also landed two co-conspirators, both Pakistani nationals, in prison. Rehan Zuberi of Queens, N.Y., was sentenced to six years in prison and Tahir Sherani of East Orange was sentenced to 364 days in jail in April.

While the North Jersey case was the biggest insurance fraud prosecution in the state in 1999, South Jersey had its share of scam artists, including Vicki Poh-Eikom of Paulsboro and Ernest Woodson of Vineland.

Poh-Eikom was the co-owner and president of a now-defunct Mullica Hill medical-equipment supplier, Sun Rehab Inc.

Poh-Eikom was sentenced to three years probation in August, fined \$25,000 and barred from joining the Medicaid program as part of her guilty plea to third-degree Medicaid fraud.

Through her company, Poh-Eikom had received more than \$24,000 from Medicaid for equipment she falsely claimed had been delivered to patients between January 1993 and April 1994.

Although the dollar amount was not as high as in other fraud cases, the state still went after Poh-Eikom in part because her crime was "theft from a program set up to assist the poor," Neafsey said.

Unlike Javid and Poh-Eikom, Woodson did not target Medicaid.

Instead, the Vineland man defrauded nine insurance companies of about \$9,500 by making 21 phony insurance claims at 19 establishments ranging from McDonald's to Wawa to Acme to Kmart.

State prosecutors alleged that Woodson tried to get almost \$32,000 in insurance money through

bogus slip-and-fall claims at various stores, mostly in Vineland, Bridgeton and Millville, between June 1998 and April 1999.

His scam netted him just over \$9,500 from nine insurance companies.

Woodson pleaded guilty to third-degree attempted theft by deception and third-degree health care claims fraud. He was sentenced in October to 364 days in the Cumberland County Jail, followed by two years of probation. He also must make restitution of \$9,526.

By sending Woodson and 15 others to jail or prison in 1999 for committing insurance fraud, the state "will deter this kind of white-collar crime," Neafsey said.

And what does Neafsey predict for 2000?

A greater emphasis on uncovering organized ring and large-scale fraud cases, he said.

"We may have an increase in the number of cases that we bring. A lot of what we do is cyclical," he said. "Next year there may be less activity in court and more activity in grand jury investigations."

## State targets fraud

Published in The Courier-News 10/13/1999

By ARON PILHOFER

Gannett State Bureau

TRENTON -- Everyone pays the price for insurance fraud.

That's the message of a \$1.2 million advertising and public relations campaign unveiled Tuesday by the state's year-old Office of Insurance Fraud Prosecutor. The campaign is designed to encourage people to turn in cheaters.

"They send a very clear message of deterrence. New Jersey is fed up with this kind of conduct," Prosecutor Ed Neafsey said. .

The prosecutor's office has already made its mark on fraud, getting 53 guilty pleas or convictions, while 111 more indictments have been filed. Eleven people have been sent to jail for an average of 4 years.

John Tiene, executive director of the Insurance Council of New Jersey, an industry trade group, said the office has had remarkable success in a short time.

The new ads will run on eight New Jersey radio stations and 36 cable television channels. Billboards will be placed on NJ Transit buses. The campaign will extend through next June.

"The ads are really to spark anger in the public, to show the public how fraud is ripping them off," said Paul Loriquet, spokesman for the Department of Law and Public Safety.

The ads list a toll-free number and a website for people who want to report cases of insurance fraud. The hot line and website are monitored by the insurance fraud prosecutor's office.

The campaign is funded through assessments on the industry. It's money well spent, Tiene said. For years, New Jersey has lagged behind the nation in insurance fraud enforcement. Many states for years have had departments assigned to the task.

"It's definitely a serious problem," Long Hill State Farm Insurance Agent Jim Bonacci said. "Fraud has been involved in this industry from day one."

Bonacci said he hopes the attorney general's initiative will cut down on the amount of fraud, but he'll believe it when he sees it.

"I've been an agent for 25 years. It doesn't seem like anything they've done has made a dent," Bonacci said.

Insurance fraud costs the industry millions of dollars each year, a cost that is passed on to policyholders. In auto insurance, for example, fraud costs account for as much as 30 percent of the average premium, Tiene said.

"In the future, this effort can save hundreds of millions of dollars," he said.

*Staff writer Wesley Yang contributed to this report.*

from the Courier News Published on October 13, 1999

# Insurance-fraud battle gains \$500,000

*Wednesday, June 9, 1999*

By DAN KRAUT

*Staff Writer*

It's been home to one of the best-organized scam artists in the country. Now Passaic County is getting some help in its battle against auto insurance fraud.

A \$500,000 state grant will assist an investigation that has already netted charges against more than 100 people for staging car crashes and faking injuries, Passaic County Prosecutor Ronald S. Fava said Tuesday. A county grand jury has been reviewing allegations of fraud since January, Fava said.

The grand jury also is reviewing whether lawyers or doctors abetted the fraud, though none has been charged in connection with staged crashes so far.

At the state Attorney General's Office, spokesman Roger Shatzkin said Fava's office is scheduled to receive one of the largest anti-fraud grants in New Jersey because Passaic County's investigation is in an advanced stage.

"Essentially, he has [an investigation] up and running, where some of the other counties are just beginning," Shatzkin said.

Also, the scope of the fraud is overwhelming. According to the prosecutor's grant application, "Passaic County, and in particular the city of Passaic, and to a lesser extent, the city of Paterson, has the dubious and unwelcome distinction as being among the insurance-fraud capitals of the nation."

Insurance companies have filed lawsuits accusing about 3,000 people in the area of participating in the scams, which allegedly led to \$50 million in bogus claims.

Though the grant is not expected to be formally announced for days, news of Fava's plans for a new unit surfaced Tuesday when the Passaic County freeholders were given documents asking them to support the grant application.

Freeholder James Gallagher said he would "absolutely" vote to accept the state money today because of the impact that fraud has on raising insurance rates for honest policyholders. According to the FBI, fraud costs the average American family \$200 a year in increased premiums.

At the national Coalition Against Insurance Fraud, an industry-sponsored group, Executive Director Dennis Jay welcomed the state grant. "You want to go to the places that have the problem but don't have the resources," he said.

The Passaic County Prosecutor's Office assigns members of its 10-member corruption unit to investigate insurance fraud. But because these investigators and lawyers also handle forgery, extortion, embezzlement, and governmental corruption, they cannot devote sufficient time to insurance cases, according to the application.

Fava said the grant, which extends for two years, will pay for a new assistant prosecutor and

three investigators to be assigned exclusively to insurance-fraud cases. He said he also intends to transfer existing personnel to the fraud section by September.

Fava said the unit also would handle insurance-related crimes such as arson and falsely reported stolen cars, but would concentrate mainly on staged-accident rings.

New Jersey has been slow to deal aggressively with insurance fraud, compared with California and other states. Until the New Jersey Office of the Insurance Fraud Prosecutor was created last year, people accused of fraud often faced civil penalties rather than criminal charges.

"We can only do so much at the state," said Shatzkin of the Attorney General's Office, which oversees the fraud prosecutor. "Clearly there's a role for the counties."

Shatzkin said the money for Passaic County comes from assessments on insurance companies.

Similar grants will go to other counties, although Shatzkin was not immediately certain how much will be distributed statewide. That announcement could come as soon as next week.

June 27, 1999

## County hiring to augment battle on insurance fraud

By RANDY DIAMOND  
Trenton Bureau

The second phase of New Jersey's battle against insurance fraud will soon take-hold, as counties begin hiring 30 new investigators and attorneys with a \$5 million state grant.

The new crackdown on insurance fraud is designed to compliment the state's beefed-up antifraud efforts. The state's first insurance fraud prosecutor, Edward Neafsey, took office last fall, and since then New Jersey has almost doubled its staff to 200 investigators and lawyers: .

"This is an enhancement of New Jersey's commitment to ferret out insurance fraud," said Neafsey.

By state law, insurers in New Jersey must report cases of suspected fraud to the insurance fraud prosecutor. Neafsey said county law enforcement officials often get their own leads, but they are not always able to do a thorough job of investigating the cases because of a lack of resources.

Neafsey said the \$5 million was granted to counties on a competitive basis for two years, with 16 of the state's 21 counties -including Bergen and Passaic counties seeking the funds. The fraud prosecutor said counties were asked to identify the problems they face and the resources they need.

Only Passaic County; which was awarded \$500,000, was given the full amount it requested, Neafsey said. State officials were impressed with its work in prosecuting a major fraud ring operating out of Passaic County, he said.

In their grant application, Passaic County officials say they have only "scratched the surface" in attacking the fraud ring, which so far has resulted in more than 100 arrests. "We believe our problem is so massive that we hope to form an insurance fraud unit;" said the grant application.

The state money enables Passaic County to do just that.

Passaic County Prosecutor Ronald S. Fava said officials will hire five people with the state money to staff an insurance fraud unit. He said three additional staffers will be transferred from other divisions of his office to become part of the new effort.

"This unit is much needed," said Fava. "We have plenty to do."

Bergen County will receive \$413,000 in state money. David Nathanson, an assistant Bergen' County prosecutor and chief of the special investigation unit, said the money will be used to add an assistant prosecutor, a detective, and an entry-level agent to the unit. He said the three will devote their time solely to insurance- fraud cases.

While the unit has investigated insurance fraud cases in the past; he said no personnel had been specifically designated to fight the problem.

"These are long-term, complex investigations," he said. "Because of a lack of resources we couldn't attack them as zealously as we would have liked."



He said his office also plans to conduct undercover operations. One possible target: doctors who commit insurance fraud.

Neafsey said the fraud priorities among the 16 counties varied in some cases. For example, in Atlantic County, prosecutors received a \$285,000 grant to target questionable slip-and-fall injuries at casinos, he said.

The state's beefed-up fraud efforts stem from special legislative hearings, where lawmakers expressed disappointment with the state's record in attacking fraud.

In the past, New Jersey officials typically imposed civil penalties rather than seeking criminal prosecution for insurance fraud. In response, lawmakers mandated the creation of a insurance fraud prosecutor in the state Attorney General's Office.

October 20, 1999

## Reporting insurance cheats

The auto insurance reform package signed into law last year created a state Office of Insurance Fraud Prosecutor to go after scam artists who add more than \$100 to the average policy.

The fraud prosecutor already has brought dozens of cases against doctors, chop shops and theft rings, police officers and insurance agents, among others. Now, the office is reaching out to the public for help, promoting through broadcast ads a toll-free telephone number for fraud tips. Ads also will be placed on NJ Transit buses.

Several of the fraud prosecutor's major cases have resulted from anonymous tips. Callers who report suspected fraud do not have to identify themselves. New Jersey law provides immunity from civil suits to people who in good faith report what they believe to be insurance fraud. That's necessary, although it could prompt a few false reports from people seeking revenge. The fraud prosecutor should warn anybody who might consider doing that to keep in mind that deliberately providing false information is a serious crime.

The fraud prosecutor deals with all forms of insurance cheating, including Medicare, worker's compensation and disability cases. The office has 200 investigators and 30 deputy attorneys general, so it's well prepared to put a serious crimp into a crime that helps keep insurance rates in New Jersey among the highest in the nation.

The toll-free number for reporting suspected insurance fraud is 1-877-55-FRAUD (37283).

June 29, 1999

## Prosecutors get funds to fight insurance fraud

By KATHLEEN HOPKINS  
STAFF WRITER

The Union County Prosecutor's Office is one of 18 in the state to share a total of \$5 million to combat insurance fraud, officials said yesterday.

Union County will get \$119,044 in state funds earmarked for investigating all kinds of insurance fraud, including automobile, homeowners, commercial, marina, life, health, workers compensation and Medicaid coverages, said state Insurance Fraud Prosecutor Edward M. Neafsey.

The state is awarding a total of \$5 million to 16 county prosecutor's offices that applied for funds under the County Prosecutor Insurance Fraud Reimbursement Program. The two-year program was designed to expand or create insurance-fraud investigation units in counties, said Attorney General John J. Farmer Jr. The money can be used to hire personnel or buy equipment, he said.

The Somerset County Prosecutor's Office will receive \$220,138. The Middlesex County Prosecutor's Office was not among the recipients.

Union County Prosecutor Thomas Y. Manahan said his office will use the money to buy equipment to aid investigators in developing cases involving bogus insurance claims and unscrupulous insurance companies.

Union County Executive Assistant Prosecutor Robert P. O'Leary said the office has handled only a small number of insurance-fraud cases.

"We've had a handful of cases, and this will help us to do it better," he said.

Manahan said consumers benefit from prosecution of insurance fraud because losses generated by the scams do not have to be made up by rate payers.

"This is a form of white-collar crime that will be getting our attention even more," Manahan said.

"We are committed to actively seek out and prosecute those individuals who blatantly violate insurance laws to profit themselves at the public's expense," Farmer said,

"The Office of Insurance Fraud Prosecutor intends to use every enforcement tool provided by law to combat the entire range of insurance fraud in New Jersey," said Neafsey, who served as acting Union County prosecutor from 1992 to 1997. "The County Prosecutor Insurance Fraud Reimbursement Program will enhance our uniform statewide strategy to investigate and prosecute insurance fraud by enlisting local prosecutors."

# Grant to fund insurance fraud prevention

By LOIS A. KAPLAN  
Staff Writer

TOMS RIVER --

The Ocean County Prosecutor's Office will receive \$381,862 from the state over the next two years to enhance its efforts to prevent and deter insurance fraud by hiring personnel and purchasing equipment exclusively for that purpose.

The funding received here will be the sixth largest of 16 grants distributed under the state's now County Prosecutor Insurance Fraud Reimbursement Program.

The prosecutor's office in neighboring Monmouth County will receive \$180,000 under the same program.

Attorney General John J. Farmer Jr. and state Insurance Fraud Prosecutor Edward M. Neafsey yesterday announced the awards, totaling \$5 million, to the 16 county prosecutors, out of a total of 21, who applied.

"We are committed to actively seek out and prosecute those individuals who blatantly violate insurance laws to profit themselves at the public's expense," said Farmer.

Violators face prison sentences, loss of professional licenses and stiff civil and criminal fines.

Neafsey said his office intends to use every enforcement tool provided by law to combat the entire range of Insurance fraud in New Jersey: auto, commercial, home owners, marine, life, health care, workers' compensation and Medicaid. He added, however, that the new program's coordinated statewide attack on insurance frauds of many kinds stems, in large part, from the passage in May 1998 of the Auto Insurance Cost Reduction Act.

Executive Assistant Prosecutor Gregory Sakowicz said yesterday that the new unit in the Ocean County Prosecutor's Office will come under the guidance of Capt. Robert J. Peck, who heads up the office's special investigations.

He added that the new unit will have a staff of four: an assistant prosecutor, an investigator, an agent and a clerical support person.

Peck said he hopes to bring in the new personnel within the next 30 days.

Their function, he said, will be to seek out various types of insurance fraud including those involving workmen's compensation, disability claims and complaints originating in the field of consumer affairs.

The most serious insurance frauds, he added, can involve arson and murder.

He added that attention also will be paid to staged auto accidents and burglaries and to false claims, by medical providers and pharmacists.

An important aspect of the program, he said, will be educating the public through presentations to groups such as service clubs and residents of the county's 79 adult communities.

The state program's largest grant, \$500,000, will go to the Passaic County Prosecutor's office. Prosecutor's offices in Mercer, Camden, Gloucester and Bergen counties each will receive more than \$400,000.

March 26, 1999

# Guilty plea entered in insurance scam

**By John Patrick**

Journal staff writer

The ringleader of a \$3 million auto insurance scam involving 94 defendants pleaded guilty yesterday to five counts of conspiracy to commit theft by deception and faces as much as 30 years in prison.

Juan Carlos Carmona, a 45-year-old Union City resident, admitted to state Superior Court Judge Elaine Davis that he orchestrated a scheme in which scores of people claimed they were injured in accidents in which they were never involved.

The accidents - some of which occurred fortuitously and some which happened deliberately -- involved commuter vans that were not carrying any passengers at the time, according to prosecutors.

Participants in the scheme were paid for their cooperation, which included going to doctors for treatment of injuries they never sustained, officials said.

Prosecutors still will not reveal the name of the commuter van line involved. "The investigation is ongoing," said Assistant Prosecutor Michael D'Andrea. "We are still examining every aspect of this operation."

None of those indicted - at least, so far - are doctors. Aside from Carmona and co-ringleader Justo Paulino, who remains a fugitive along with a few of the other defendants, the remaining defendants included phony passengers and the drivers of the vans.

Most of the defendants -- most of whom hail from North Hudson - have pleaded guilty to various counts of the indictment, which was made public in October. Though D'Andrea did not have exact numbers yesterday, he said many of the defendants were sentenced to non-custodial terms rather than jail time because it was their first offense and a third-degree crime. About a dozen more cases are pending, according to D'Andrea.

Carmona faces anywhere from a probationary sentence to 30 years in prison when sentenced by Judge Davis on June 6. The prosecutor's office has asked for the maximum sentence, without imposing restrictions on parole eligibility.

"My client is a poor immigrant with a family," said Robert S. Persky, Carmona's attorney, following yesterday's proceedings.

"His consideration was to be able to support them so his children could get a good education in this country. None of the actions done harmed anybody. It was merely a means of entertaining some additional pecuniary benefit for his wife and children."



Journal photo by M. Kathleen Kelly

JUAN CARLOS CARMONA, LEFT, accompanied by attorney Robert Persky, pleads guilty in Superior Court of an auto insurance fraud scheme involving passenger vans.

# The Atlantic City Press

September 22, 1999

## A.C. man charged with faking car insurance cards

By W. Leon Pope

Staff Writer, (609) 272-7219

ATLANTIC CITY - A local man has been arrested for selling bogus motor vehicle insurance cards, Atlantic County Prosecutor Jeffrey S. Blitz said Friday.

Ashraf F. Hassan Gouda, 56, of the 2000 block of Magellan Avenue, was charged with the sale of simulated motor vehicle insurance identification cards, Blitz said.

Gouda sold the cards on numerous occasions between 1996 and 1999 to people who could not afford to purchase insurance or who were uninsurable, Blitz said.

These cards served as proof of insurance if the holder was pulled over by the police, but the card itself was phony and did not represent a legitimate insurance policy in force, Blitz said.

Gouda, who held a state Insurance agent's license until October 1998, sold the cards for \$50 to \$100 from his travel agency, H. Group Ltd., and the American Group, located at 1711 Atlantic Ave., Blitz said.

Gouda and American Group were accused of selling New Jersey Personal Automobile Insurance Plan, or PAIP, policies after Gouda's authority to do so was suspended on Sept. 12, 1995, and then revoked on Oct. 22, 1995.

It was unclear when or if his license was restored, however.

Information about the alleged fraud was brought to the attention of the Prosecutor's Insurance Fraud Unit and an investigation resulted in Gouda's arrest earlier this week.



GOUDA

## 21 Indicted in Auto Insurance Fraud Ring

By MITCHEL MADDUX

*Herald & News*

Twenty-one people were Indicted Thursday for allegedly participating in an auto insurance fraud ring in Passaic County, charged with trying to bilk insurers out of \$149,000 by staging phony car accidents.

The 25-count indictment is the first handed up by the Paterson special grand jury, which is the only grand jury panel in state history solely devoted to investigating insurance fraud.

The indictment names Jose A. Siri of Passaic as one of organizers of three car accidents that were allegedly staged in Passaic County from 1993-1996, charging him with conspiracy and theft by deception. Pablo Camilo and Fabian Beato were also charged for allegedly helping to organize the accident, and are named as co-conspirators in the indictment.

The indictment is the most significant development in the fight against auto insurance fraud in Passaic County since Industry executives announced in 1997 that the area had spawned some of the nation's leading auto insurance fraud rings.

But the list of those indicted Thursday does not include the names of some local lawyers and physicians who sources say may have participated in the lucrative insurance fraud industry - some of whom are currently under investigation.

Those who were charged included people who allegedly served as drivers or passengers in the staged collisions, along with the three alleged organizers. Chief Assistant Prosecutor Arthur O. Margeotes, who heads the insurance probe, said the investigation has not ended.

"The grand jury has been hearing a wide range of evidence involving staged accidents," Margeotes said. The probe has focused on "the methods utilized by the organizers and participants - including the common practice to have followed up these accidents with visits to medical providers, which in some cases resulted in the filing of civil lawsuits to obtain funds

Continued from Page A1

from the insurance companies."

"The return of this indictment is the first formal act by the special grand jury panel in response to the evidence that has been presented to them," he said. "Both the investigation and the presentation of evidence to this grand jury are ongoing."

The criminal inquiry into the three allegedly fictitious accidents began when investigators from the Allstate Insurance Co. began to discern a pattern of suspicious accidents in Passaic County.

"Paterson and Passaic was the target area," said Maureen Sullivan, an Allstate spokeswoman.

Eventually, Allstate uncovered what it says is a vast network of local fraud artists.

The insurer has since filed ten civil suits against 1,487 people they say were involved in the ring, and is disputing some \$66 million in claims.

All of those named in Thursday's indictment have also been named in Allstate's lawsuits, Sullivan said. After conducting its internal inquiry Allstate then cooperated with the Passaic County Prosecutor's Office's investigation into the local fraud rings. Margeotes said 25 auto accidents are currently under scrutiny. He said that the three accidents cited in the indictment took place in December 1993, March 1994 and March 1996.

"Siri, Camilo and Beato conspired together to stage the accidents, and provided the insurance

documentation, the vehicle and obtained drivers and passengers for the accidents," Margeotes said.

After reporting fictitious injuries from the collisions, those allegedly involved in the collisions then filed false claims with Allstate, Continental Insurance and National Consumers Insurance Corp., officials said.

Sullivan said the ring was discovered after company investigators began to see familiar names on claims of people who had previously filed other accident claims. Most of the injuries claimed on such reports are for "soft tissue injuries" and not broken bones.

"It's never a broken leg or a broken arm, but its something that's hard to prove," Sullivan said.

Others named in the indictment include: Jose B. Rodriquez, Carlos Collado, Victor Jimenez, Yanifres, Maria and Eustacia Ferreras, Braudilla Segura, Nancy Brown Cintron, Rafael and Marie Cuello, Arnaldo Kelly, Luis Santos, Alejandro Suarez, Miguel Ramos, Danny Perdomo, Elizabeth Santos, Jose Garcia and Sonia Garcia.

Siri's girlfriend, Cathy Gonzalez, who once worked for Allstate and who has been charged in the fraud probe, has not yet been indicted. Officials declined to comment on her case.



# Bergen Record

September 15, 1999

## Bergen files fraud charges against woman

By LAURA BARNHARDT  
Staff Writer

A 32-year-old Rockland County woman who runs a medical billing and insurance processing company has been charged with health-care fraud and theft by the Bergen County Prosecutor's Office.

Authorities said Lorena Lynn Burgin, a Nyack, N.Y., resident, filed fraudulent insurance claims, had the checks sent to a post office box in Fair Lawn, and then deposited the \$5,000 she received into her bank account.

Assistant Bergen County Prosecutor David Nathanson said Burgin also had filed claims for another \$55,000.

The arrest represents the first criminal charge brought by the county prosecutor's insurance fraud unit, which began operating in September, Nathanson said.

Burgin allegedly had forged documents in July to establish a second billing account with Oxford Health Plan for two Yonkers doctors without their knowledge. She then processed fraudulent medical claims and then cashed the Oxford Health checks in her own account, prosecutors said.

When the doctors realized they weren't getting their checks from the insurance company, they called to inquire, Nathanson said.

When the physicians were told that the checks were sent to an address in Fair Lawn, they called police, Nathanson said.

The insurance fraud unit investigators worked with Fair Lawn Detective Jeffrey Welsh and U.S. Postal Inspector Frank Averse to track Burgin's filings, Nathanson said.

"Unfortunately, fraud significantly raises everyone else's premiums," Nathanson said.

If convicted, Burgin faces up to 20 years in prison and \$180,000 in fines.

She posted a \$15,000 bail bond Tuesday and was released from the Bergen County Jail.